FINANCIAL TIMES

World Business Newspaper

FRIDAY JUNE 7 1996

Gold mining
South Africa's painful dilemma
Page 13

Fashion stocks
Investing in glamour
Page 15

TOMORROW'S **Weekend FT**
Does soccer still matter?

The Bahamas
Luring back foreign investors
Survey, separate section

Thirteen killed as military helicopter crashes in Germany

Thirteen people were killed when a German military helicopter giving rides at a youth festival crashed yesterday in woodland south of Dortmund. Six of those killed were youngsters from the festival who had won the helicopter ride in a lottery, Dortmund police said. One passenger, who leapt from the helicopter on to a motorway just before it plunged to the ground, was in hospital last night with serious injuries.

China in climbdown on nuclear tests: China said it would accept a ban on all nuclear explosions, in a climbdown that removes an important obstacle to concluding a comprehensive test ban treaty by the end of this month. Mr Sha Zukang (left), China's ambassador to the 38-member United Nations disarmament conference negotiating the treaty, said his country was ready to go along with a "temporary ban" on so-called peaceful nuclear explosions – those for scientific rather than military purposes – in the interests of completing the treaty on time. Page 14

Clinton aide to head Ulster talks: The British government yielded to Irish pressure and agreed yesterday that former US senator George Mitchell, a close aide to President Bill Clinton, should chair next week's all-party talks on a new settlement for Northern Ireland. Page 14; Ireland's two faces, Page 12

UK and France cut loan rates: The UK and France made surprise interest rate cuts. The Bank of France lowered its intervention rate by 0.1 per cent to 3.60 per cent while the UK cut its rate by 0.25 per cent to 5.75 per cent. French rates trimmed, Page 2; UK rates down, Page 8; Editorial Comment, Page 13; Lex, Page 14

New York awards $1bn airport contract: A contract to design, build and operate a $1.1bn international arrivals terminal at John F Kennedy airport in New York has been awarded to a consortium of US, British and Dutch companies. Page 4

Eight killed in air crash: Eight crew members were killed after a Russian-built cargo aircraft crashed as it tried to take off at Zaire's international airport, outside the capital Kinshasa.

Amer shares plunge: Shares in Amer, the Finnish parent of US sports equipment group Wilson, fell 11 per cent after the world's second largest sporting goods maker reported heavy losses in the first four months of the year and warned it would remain in the red in 1996. Page 15

Approval for Japan housing loan bail-out: A Japanese parliamentary committee finally approved a government plan to spend Y685bn ($6.33bn) of public money towards the liquidation of the country's bankrupt housing loan companies. Little of the money is likely to be disbursed. Page 6

Boost for third world telecoms: WorldTel, the company set up to help boost telecoms in developing countries, has won initial backing from a group of investors and is seeking billion-dollar projects in Asia, Latin America and Africa. Page 14

AT&T agreed to sell its leasing and finance business, AT&T Capital, in a $2.2bn buy-out being financed from London. The deal will give control of the US's second-biggest equipment leasing group to GRS Holdings, a British-based company financed by the London arm of Japanese securities house Nomura International. Page 15

US financial short-termism backed: The US pursuit of short-term financial performance makes US companies use capital far more productively than their German and Japanese rivals, a study shows. Page 7

Klaus asked to form new government: Václav Klaus, whose centre-right coalition lost its majority in last weekend's Czech general election, has been asked by president Václav Havel to try to form a new government. Page 2

Mystery over Cambodia's Pol Pot: Pol Pot, leader of the Khmer Rouge which ruled Cambodia from 1975 to 1979 and still terrorises the country, is fatally ill or dead, some Cambodian rebel officials said. Page 5

India out for 214: India were bowled out for 214 on the opening day of the first cricket Test against England at Edgbaston, Birmingham. At close of play, the home side had scored 60 without loss in reply.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,696.37	(-1.11)
NASDAQ Composite	1,242.84	(-6.31)
Europe and Far East		
CAC40	2,133.22	(+17.87)
DAX	closed	
FT-SE 100	3,780.3	(+6.9)
Nikkei	21,804.46	(-76.97)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.197%
Long Bond	88¾
Yield	6.899%

OTHER RATES

UK: 3-mo Interbank	5 21/32%	(6 1/32%)
UK: 10 yr Gilt	95⅝	(96⅛)
France: 10 yr OAT	105.54	(105.16)
Germany: 10 yr Bund	closed	(98.18)
Japan: 10 yr JGB	98.9238	(99.1725)

NORTH SEA OIL (Argus)

Brent Dated	$18.15	(18.29)

GOLD

New York: Comex		
(Aug)	$388.4	(388.9)
London:		
close	$385.95	(387.6)

DOLLAR

New York: lunchtime		
£	1.5425	
DM	1.53085	
FFr	5.18935	
SFr	1.26	
Y	109.155	
London:		
£	1.5409	(1.5482)
DM	1.5301	(1.5293)
FFr	5.1873	(5.1834)
SFr	1.2573	(1.2551)
Y	109.20	(108.845)

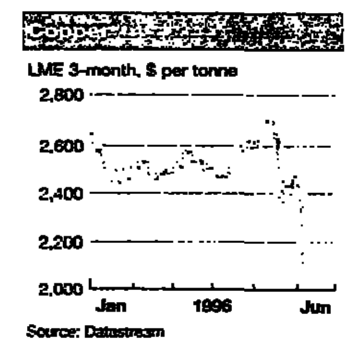
STERLING

DM	2.3578	(2.3675)
Tokyo close:	Y 109.25	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£95.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr11.50	Kuwait	Fils.650	Portugal (m'land)		Turkey	L80,000
		Lebanon	LL3,000		Es240	UAE	Dh12.00

London Metal Exchange board steps in ■ Rumours of funds forcing down price

Copper falls 15% in hectic two hours of trade session



By Kenneth Gooding in London

Pandemonium broke out in the copper market yesterday as the price of the world's most heavily traded metal plummeted by 15 per cent in just two hours of hectic activity on the London Metal Exchange.

Traders said the scale and the speed of the drop was unprecedented. Dealers increased the "spread" or difference between the prices at which they were willing to buy or sell copper to $50 a tonne – a level previously unheard of – in an attempt to reduce the frantic activity.

The LME board also took action to calm the market by doubling to $400 a tonne the initial cash that would have to be provided by anyone buying or selling copper. This helped the price to recover in late trading but there were rumours that the speed and size of the price fall had done serious financial damage to some market participants.

"Copper has lost 25 per cent of its value and has come down $900 a tonne in just six trading days," one analyst pointed out. "There are bound to be casualties in a market like that."

At one point early yesterday, copper for delivery in three months on the LME dropped to $1,910 a tonne, down $337 from Wednesday's closing price. As the hectic selling died down, the price recovered to close last night at $2,105 a tonne, $142 below Wednesday's close and $610 or 22.5 per cent below the 1996 peak reached early in May of $2,715.

Shares in leading copper producers were relatively unscathed. RTZ-CRA, the world's biggest mining group, was down only 2.4 per cent, by 23½p to 967½p. Among the big US producers, Asarco shares by mid-day were down $1⅜ at $29 while Phelps Dodge was only $¾ off at $65⅝.

Both the US companies have hedged extensively against lower copper prices. Ironically, it was this protective hedging by North American producers that contributed to the speed of copper's price fall.

Traders suggested that the rout was started on Wednesday by two US hedge funds that sensed the time was ripe to force copper down. They believed the funds were Mr George Soros's Quantum Fund and Mr Julian Robertson's Tiger Fund. Both funds have a policy of not responding to market rumours about their operations.

The funds' objective was to drive copper down to below $2,424 a tonne at which point the investment banks and market-makers that had granted "put" options to the copper producers – or promised to buy copper from the producers at a certain price – would have to start selling.

Analysts were not convinced last night the turmoil was over.

Mr Huw Roberts of the Brook Hunt metals consultancy said copper mining companies had been consistently more profitable than gold producers for the past 10 years and this had encouraged many new copper projects to be started. Brook Hunt was forecasting copper would average $2,204 a tonne in the fourth quarter of this year and then trade down to $1,763 during 1997 – at which level some high-cost producers would have to cut output.

Lex, Page 14

Turkey's Islamic party bids for power

By John Barham in Ankara

Turkey's Refah Islamist party will again try to form its first government after the collapse yesterday of an uneasy three-month coalition between the two mainstream parties.

Mr Mesut Yilmaz, prime minister, resigned hours before parliament was due to begin a no-confidence debate which he would almost certainly have lost after Mrs Tansu Çiller, his rival and coalition partner, said her True Path party would vote with the opposition.

The Istanbul stock exchange closed down 2.5 per cent and, although the Turkish lira was stable against the dollar, political uncertainty drove up yields on treasury bills.

President Süleyman Demirel is to begin consultations today with leaders of the six parties in parliament in an attempt to bring a new government. Mr Necmettin Erbakan, Refah's leader, who led a campaign to topple the government, was jubilant.

"The problem is solved," he said. "The mandate [to form a government] should be given to us in half an hour and [we] will form a majority government as soon as possible."

However, commentators expect he will again fail to find a majority in parliament. Refah was the leading party after inconclusive elections in December but could not form a coalition. The politically powerful military forced the True Path and Mr Yilmaz's Motherland party into their shortlived alliance to keep Refah from power.

Analysts expect a protracted period of political horse-trading but fear negotiations will fail, leading Turkey to hold fresh elections. Opinion polls indicate Refah would win the elections, taking about a third of the vote.

Refah began working almost immediately after the last election to bring down the coalition by exploiting the rivalry between the two conservative leaders. Although the True Path and Motherland share pro-business, pro-western and secular values, they are irreconcilably divided as their two leaders battle for control of the centre-right.

Mr Yilmaz said he quit because the constitutional court had just published the full text of a ruling it handed down last month, in which it stated that a March parliamentary vote of confidence confirming his government in office was invalid.

"The court's explanation showed the government did not obtain a vote of confidence," he said. "I [went] to the president and presented the government's

Continued on Page 14
Back to square one, Page 2

German chancellor Helmut Kohl (left) and French president Jacques Chirac (right) in expansive mood after three hours of 'friendly' informal talks in Paris following a formal summit in Dijon, eastern France, on Wednesday. The two leaders discussed former Yugoslavia, European Union reform and Turkey. Chancellor Kohl said it was vital to have talks away from formal meetings because of the importance of Franco-German relations. Picture Reuter

Hilton's $2bn deal wins battle for Bally gaming group

By Tony Jackson in New York and Christopher Price in London

Hilton Hotels of the US is to pay $2bn in stock for Bally Entertainment, forming what is claimed to be the world's biggest casino operator. Hilton will also take on Bally's debt of $1bn.

The deal ends a long-running tussle for ownership of Bally between Hilton and the rival hotel and gaming group ITT. Previous talks with both suitors had reportedly broken down over Bally's insistence on a higher price.

Hilton will have a four-for-one stock split, then pay one new share for each of Bally's. Hilton's shares were up $4 at $118⅛ by lunchtime yesterday, valuing Bally shares at $29⅝. Hilton said that if the value of the offer was below $27 by closing it would make up the difference in cash, subject to a limit of $3 a share.

Mr Arthur Goldberg, Bally's chairman, will join the board of the merged company. Bally shares rose $2⅝ to $27⅛ in early trading.

Ladbroke, the UK leisure group which owns the Hilton brand outside the US, said last night the deal would have no effect on its discussions with Hilton on reuniting the brand worldwide. These are thought to involve the possible sale of Ladbroke's interests. Talks were continuing, Ladbroke said.

News of the tie-up was said to have been behind the 5p fall to 186p in Ladbroke shares on the London market.

The combined business of Hilton and Bally will have gaming revenues of $537m, which the companies said would be almost 25 per cent bigger than its nearest rival. It will have a total of 15 casinos, with 800,000 sq ft of gambling space. Both own casinos in Las Vegas and Atlantic City, with Hilton stronger in the former and Bally in the latter.

The deal marks a consolidation of the US gaming industry. Several US states have recently ruled against relaxation of rules against gaming, thus narrowing the prospects for new entrants.

Mr Stephen Bollenbach, Hilton's chief executive, said: "It has been our stated goal to be the winner in the [industry's] consolidation, and this transaction is the key step."

Bally Entertainment – which is unconnected with Bally Gaming, the fruit machine manufacturer – has two casinos in Atlantic City. It also owns Bally's in Las Vegas, as well as a dockside casino near Memphis and a riverboat casino in New Orleans.

Hilton owns or operates 10 casinos around the world, including the Flamingo in Las Vegas and the Las Vegas Hilton, both close to Bally's on Las Vegas Boulevard. It also has casinos in Canada, Australia and Turkey.

Mr Bollenbach said the deal would probably add to Hilton's earnings in the current year and would not affect the investment grade status of Hilton's debt.

World stocks, Page 32

Trade network planned by world chip producers

By Guy de Jonquières in London and William Dawkins in Tokyo

Japanese and European chipmakers have agreed to work together to organise global trade in semiconductors.

The Japanese semiconductor industry association called for the launch of a world microchip council to boost co-operation in the industry, and leading Japanese chipmakers discussed the idea in London this week.

The meeting, presented as a private sector initiative, was in fact organised in close consultation with the European Commission and Japan's Ministry of International Trade and Industry.

The meeting, attended by representatives of NEC and Toshiba of Japan, Siemens of Germany, Philips of the Netherlands and the Franco-Italian SGS-Thomson, agreed that the European industry should ask the US Semiconductor Industry Association to join the talks. Companies from South Korea and Taiwan, the two other main chipmaking countries, would be approached later.

European Union officials denied that closer industry co-operation risked creating a global cartel which would act against the interests of chip consumers, the world's manufacturers of electronic equipment and products.

The proposal was seen by some industry analysts as a means of deflecting US pressure on Tokyo to renew a five-year US-Japan semiconductor accord which expires next month.

The Japanese government and chip industry dislike the decade-old agreement because it contains numerical targets for Japanese chip imports.

They may also want to bring the ever stronger Taiwanese and Korean chipmakers within the scope of organised trade.

European semiconductor makers hope a broader semiconductor trade agreement would provide them with greater access to the Japanese market.

Sir Leon Brittan, the EU trade

Continued on Page 14
NEC to cut output, Page 15

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Turkey goes back to square one

Yilmaz or Çiller (or both) may have to quit to break deadlock

By John Barham in Ankara

The resignation yesterday of Mr Mesut Yilmaz as Turkey's prime minister after barely three months in office propels the country's deadlocked political system back to where it stood in the aftermath of inconclusive general elections last December.

Then, voters gave no party a clear mandate to govern and showed no preference for either of the two conservative parties which are battling for control over the centre-right, traditionally the centre of gravity of Turkish politics.

The only difference now is that the depth of animosity between Mr Yilmaz's Motherland party and the True Path party of Mrs Tansu Çiller makes it very unlikely that a conservative coalition can be reassembled while both lead their parties.

"The key here is the Çiller-Yilmaz rivalry. One of them has to go," said Mr Sedat Ergin, Ankara bureau chief of the newspaper Hürriyet, yesterday. President Süleyman Demirel is expected to allow Mr Yilmaz to remain in office in a caretaker capacity while party leaders try to find a new governing formula.

Commentators have advanced a number of possible solutions to the impasse: a new centre-right coalition under the sole command of Mr Yilmaz, Mrs Çiller or a third compromise figure; a coalition of centre-right and centre-left parties to block the rise of Refah, the Islamist party; or even a coalition between Refah and True Path or Motherland.

Mr Demirel is expected to play a central role in the resolution of the political crisis, with the army also exercising strong but discreet influence.

"Political leaders will try various scenarios, but very probably they will all fail," Mr Ergin said. He forecast early elections either in the autumn or spring of 1997.

One western diplomat expressed the view that President Demirel and the army should help Turkey "to find a neutral leader who can stabilise the political system, and who can stabilise the economy [before] we can go to early elections".

The head of the military, General Ismail Hakki Karadayi had an hour-long meeting with the president yesterday, although state-run TRT television said the talks were routine.

The diplomat said he believed both Mrs Çiller and Mr Yilmaz might be deposed in a year, allowing a unifying figure to emerge.

Opinion polls indicate that widespread disgust at the perceived incompetence and corruption of the mainstream secular leaders would ensure Refah a victory in elections. But Mr Yilmaz and Mrs Çiller seem to prefer this to admitting defeat in their struggle for control of the centre right.

Refah took 33.5 per cent of the vote in local by-elections on Sunday, against 21 per cent for Motherland and 12 per cent for True Path.

Business leaders were yesterday attempting to put a brave face on the deteriorating political situation. Mr Yavuz Canevi, a prominent Istanbul banker and head of the foreign investors' association, said: "We are accustomed to this kind of political crisis. We are ready to wait another three months for [a solution]. The negative side is that people are not making medium-term decisions. I think we may have another year of instability."

A senior European banker said his bank had temporarily ceased looking for business in Turkey.

Business executives believe the treasury and central bank - which has official reserves of $15.19bn - can steer the economy during the summer, but fear a financial crisis in the autumn as economic indicators deteriorate and populist policies ahead of elections accelerate inflation and government spending. Anual inflation is already running at 83 per cent.

Interest rates are moving upwards to reflect growing political uncertainty. Yields on treasury bills now stand at 134 per cent in a compounded annual rate even though yields have traditionally declined in the summer. This yield is equivalent to about 50 per cent in real terms, a rate reserved only for the highest risks.

Sarajevo jams EU $10m telecoms proposals

By Harriet Martin in Sarajevo

A planned telecommunications system for Bosnia has been put in jeopardy by the government's decision to reject a $10m European Union proposal on grounds that the scheme presumes the country will be partitioned.

The first phase of a micro-wave-based telecommunications network would link three separate networks rather than creating a single system. The Bosnian government argues that this would perpetuate the division of Bosnia into Serb, Croat and Moslem controlled areas.

During the civil war the former Yugoslavia's telecommunications were divided, with the Bosnian Serbs remaining part of the Serbian system, Croat areas staying linked to Zagreb, and the rest of Bosnia having a separate system.

"European funds should be used to unite Bosnia not partition it," the Bosnian government said.

"Every plan suggested to us is made up of three networks. We have been wrestling to have a unified system using the Bosnian international dialing code, not the Croatian or Serbian code, as is now the case."

The European Commission is funding the project, as the first phase of an $80m plan financed by the European Bank for Reconstruction and Development to rebuild telecommunications throughout Bosnia.

Mr David Hardman, a Commission infrastructure expert, said: "We've come up with a proposal to be implemented by Christmas which will form the backbone for the three entities to integrate with each other. We won't implement the scheme unless we have a memorandum of understanding from the state government."

Government officials claim the plan, based on three routes following the complex lines of the country's political divisions, is technically illogical and uneconomic in comparison with single nationwide network.

International officials admit that it would be more expensive and that the three networks would have only limited interconnections, but that it was the only proposal likely to win acceptance by all sides.

One official said: "What is the alternative? If they reject this, we force them each to do it themselves, and that probably means becoming completely separate."

The office of Mr Carl Bildt, who has charge of the civilian part of the Bosnian peace process, has refused to comment but is understood to have requested a written explanation from the Bosnian government.

It appears that the government is now planning to build its own limited network, buying switching and microwave equipment to link territory it controls in the north-west of the country with the enclave of Gorazde in the east.

The initiative follows plans by the authorities in the self-styled Serb "republic" in Bosnia to employ OTE, the Greek state telecoms company, to devise a network which would keep the entity independent from the rest of the country.

Klaus will try to form new Czech government

By Vincent Boland in Prague

Mr Václav Klaus, whose centre-right coalition lost its majority in last weekend's Czech general election, has been asked to try to form a new government. President Václav Havel called on him to begin talks after the main opposition party, on which any new administration will rely for support in parliament, dropped its outright insistence that Mr Klaus step aside.

Both moves signalled a breakthrough in the stalemate that resulted from the inconclusive election. They followed a meeting yesterday between Mr Havel and leaders of the four main political parties. It was the first time since the vote that Mr Klaus had met Mr Miloš Zeman, leader of the opposition Social Democrats.

Mr Zeman is the new powerbroker in Czech politics since his CSSD's strong showing in the election, when it increased its vote from 6 per cent to 26 per cent and won 61 seats. He appears to have wrung substantial concessions from Mr Klaus's Civic Democratic party (ODS) that will effectively allow the CSSD to dominate parliament. The ODS gained 68 seats - fewer than in the previous parliament, although its share of the vote stayed the same.

The outgoing three-party coalition has 99 of parliament's 200 seats. The opposition, apart from the CSSD, has 40 - the Communists 22 seats and the extreme rightwing Republicans 18.

In a statement after the meeting, President Havel said the three parties in the outgoing coalition - the ODS, the Christian Democrats (KDU) and the Civic Democratic Alliance (ODA) - had agreed that Mr Klaus would be their nominee for prime minister.

"I have asked Václav Klaus to begin the respective negotiations on forming a new government as a result," he said. The CSSD had agreed to support such a minority government "under certain conditions". One of these was being awarded the chairmanship of parliament.

Mr Havel said that if the four parties could agree on the terms of CSSD support for Mr Klaus's new government the coalition was prepared "to support a representative of the Social Democrats for the post of chairman of the House of Deputies [parliament] and some other parliamentary posts".

The ODS dominated many of the committees in the outgoing parliament, but its weakened position has forced it to make concessions in order to lead the new government.

Mr Klaus will now try to regroup the outgoing coalition, a task made complicated by a row among the three parties over the allocation of cabinet posts.

The ODS has held a majority of portfolios in the outgoing cabinet but seems prepared this time to give half the 16 posts to its minority partners. The KDU, which has 18 seats in parliament, wants five of those posts, while the ODA, which has 13 seats, wants the eight seats split equally.

Václav Klaus: opposition withdrew objection to him Trevor Humphries

Croatia accused of sell-off dirty trick

By Gavin Gray in Zagreb

Mr Radimir Cacic, a Croatian opposition leader, has accused the government of manipulating the country's privatisation regulations to damage his political career.

The row - over a government decision to revoke the sale of Coning Holding, a consultancy company Mr Cacic founded and led through privatisation - also threatens to involve the prime minister, Mr Zlatko Matesa, who was head of the privatisation agency in 1992 and approved the initial valuation of Coning.

Mr Milan Kovac, the present head of the Croatian Privatisation Fund and a member of the ruling Croatian Democratic Union (HDZ), said the company would be valued again using different methodology.

Mr Kovac said this week that, following a fraud squad investigation, all but 8.86 per cent of the stock would be confiscated from the shareholders because of breaches of the privatisation law. He alleged that the company's own funds had been used to buy shares. Coning was valued at DM9.1m in 1992 when it was privatised through an employee buyout. Croatian law allows employees to pay for their shares in instalments but bars their employers from providing finance.

Radimir Cacic (left), leader of an opposition party, claims Zagreb is using privatisation regulations to put political pressure on him

Mr Cacic, an architect, founded Coning in 1978 to provide design and consulting services to Yugoslavia's construction industry. It was a socially owned company - the main industrial structure in Yugoslavia at the time involving control of the company by its employees.

Mr Cacic is president of the Croatian People's party (HNS) which has only two seats in the 127-seat parliament, but is influential. He was instrumental in setting up an opposition coalition at last October's elections which limited the scale of the HDZ victory. Mr Kovac says that the fund would have acted in the same way if Mr Cacic had been a member of the HDZ.

Describing the privatisation of Coning as a case of "nimble somersaults", Mr Kovac said the fund and the fraud squad had discovered a chain of transactions in which the company, or its subsidiaries, had illegally paid for shares on behalf of employees.

He said payment had been made by using frozen foreign exchange deposits - the government agreed to compensate the thousands of individuals whose foreign currency deposits were confiscated by the National Bank of Yugoslavia in 1991. It will take 10 years for these debts to be paid off and the certificates can in the interim be used to buy shares at face value. Since they trade on the secondary market at a 30 per cent discount, they are the cheapest way of buying equity.

Mr Kovac says Coning Holding bought DM1.09m ($710,000) worth of frozen deposits in 1992 and used these to buy shares.

Mr Cacic does not deny the transactions but says they were above board.

Mr Kovac also alleges that a second wave of purchases took place in 1993 through loans by subsidiaries of Coning Holding, which were also barred from providing finance to worker-shareholders.

Mr Cacic insists that these purchases were legitimate because they were made by a company with no legal link to Coning.

Analysts say many directors of privatised companies in Croatia have used company funds to buy shares for themselves to the detriment of other shareholders, but few of these cases have been investigated. Since Coning was completely owned by its employees and all their shares were paid off, the fund's allegations constitute only a technical violation of the privatisation rules.

Mr Cacic, who the communists sentenced to six months in jail for "destruction of the self management system", says he will be taking the case to court.

Fickle Genevois wary of lake crossing

Citizens poised to reject tunnel and bridge across Lake Geneva, says **Frances Williams**

The citizens of the Swiss city of Geneva go to the polls on Sunday to vote on whether to build a road bridge or tunnel across Lake Geneva.

The vote is the culmination of more than 40 years of debate, a 1988 referendum decision in principle to go ahead with a crossing and much detailed work on the plans and costings.

Yet, if recent opinion polls are to be believed, the fickle Geneva voters are poised to give the SFr700m ($557m) project the thumbs down.

According to a survey for the French-language daily, Le Matin, published last week, two-thirds of Geneva's citizens now oppose a crossing of any kind - the exact reverse of the vote in 1988.

Feelings are running high. Supporters of a crossing, intended to relieve congestion in the city centre, paint themselves as visionaries and builders of the future and their opponents as short-sighted reactionaries.

The conservative coalition that rules the canton of Geneva made pushing through the crossing an important plank of its 1993 election campaign, intended to signal a new political dynamism as well as provide a useful stimulus to the sagging local construction industry.

The bridge brigade talks loftily of creating a symbol for Geneva as powerful as San Francisco's Golden Gate bridge or the Sydney opera house, putting this "smallest of the big cities" firmly on the world map.

Polls suggest the 1988 decision to go ahead with a crossing may be overturned

"No city ever became famous for its tunnel," says Mr Philippe Joye, responsible for public works in the cantonal government. Tunnel adherents say the 1.6km suspension bridge out in the lake with its 108m-high pillars would ruin Geneva's lakeside charm and overshadow the much-loved Jet d'Eau, Europe's tallest fountain.

Partisans of both the bridge and the tunnel nevertheless concur that a crossing is needed to divert transit traffic now clogging up the city centre, where congestion, noise and air pollution have become serious problems.

Worst affected are the city's two river bridges, especially the Mont Blanc bridge, where Lake Geneva becomes the River Rhône. Its six lanes carry some 80,000 vehicles across the neck of the lake each day.

But it seems the majority of Genevois have yet to be convinced. Residents of Geneva's leafy suburbs are worried about the diversion of traffic in their direction, especially at each end of the crossing.

Others argue that official traffic projections are based on mid-1980s data before completion of the ring motorway which has noticeably lessened congestion in the city centre.

Independent researchers say only about 6,000 existing car commuters are likely to benefit from the crossing, generating 12,000 trips a day compared with the 34,000 projected.

The cantonal government itself admits that significant diversion will not happen without tough measures to deter drivers from entering the city centre, including a 30km/hour speed limit, road closures and restrictions, and priority for public transport.

This has sown real doubts on whether the crossing is worth the expense, especially since the central government has refused to foot part of the bill. The funds will be raised from Geneva residents themselves by a hefty increase in the vehicle licence tax from SFr210 to more than SFr300 a year.

For one of the world's most motorised cities, with one car for every two of Geneva's 400,000 inhabitants, this will be painful. Even if, as expected, a toll is introduced for the crossing - SFr2 a trip or 65 centimes for multiple trips - the increase in the licence tax will still be substantial.

More generally, many Genevois appear to support the environmental argument that a crossing puts cars first at a time when cities everywhere are increasingly turning to ways of keeping cars at bay and Geneva itself has ambitions to become the world's environmental capital.

"There's an unbelievable contradiction in wanting to construct a temple to the automobile at the end of the 20th century," says René Longet, a socialist and prominent environmental campaigner.

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EUROPEAN NEWS DIGEST

Italy loses EU securities case

The European Court of Justice ruled yesterday that Italy was contravening European Union laws by requiring foreign securities dealers who wish to operate there to have a registered office in Italy. The case was referred to the court by the European Commission, which ruled in 1991 that the Italian rules breached rules dealing with freedom of movement of people and services.

The Commission said the requirement that foreign investment firms must have a registered company in Italy, rather than simply a branch or agency, was unfair discrimination, since it imposed extra costs on foreign operators. Italy had maintained for five years that foreign securities dealers could only be properly supervised if they were registered in Italy.

Italy must now drop the rules, or it could be sued for damages in the European Court by foreign companies if it fails to do so. *Neil Buckley, Brussels*

Bank of France trims base rate

The Bank of France shaved 0.1 percentage point off its base intervention rate yesterday to bring it down to 3.60 per cent, in a move that was not expected by the financial markets in view of the Bundesbank's decision to leave its rates unchanged last week.

But the small rate cut gave the Paris Bourse's CAC-40 index a modest 0.8 per cent boost on the day, and left the franc slightly stronger at FFr3.3991 to the D-Mark at the close of trading in Paris. Dealers read it as a sign of the central bank's confidence in the strength of the economy, apparently unshaken by this week's labour unrest.

Protesting against feared job cuts, rail workers marched yesterday to parliament, which next Tuesday will debate the future of the heavily indebted state-owned SNCF rail company. The unions want the government to take over a large portion of the SNCF's FFr200bn ($38.5bn) debt, but without the accompanying productivity improvements it demanded of workers last autumn. A 24-day national rail strike ended with the government withdrawing its rail reform plan and changing the head of the SNCF. *David Buchan, Paris*

Gibraltar chief warns Madrid

Gibraltar's new chief minister, Mr Peter Caruana, yesterday warned there would no progress towards a reconciliation with Spain while Madrid mantained restrictive border controls.

"It is inconceivable there can be any bridge-building while these restrictions continue. This is political, social, and economic harassment of one member of the European Union by another," he said. The reluctance of Mr Caruana's predecessor, Mr Joe Bossano, to crack down on the colony's smugglers prompted Madrid to impose stiff border checks on Gibraltar's land frontier with Spain last year.

Mr Caruana, who was in London for his first official talks with the UK government since being elected, said that Gibraltar had stepped up its policing of the smuggling community over the last three weeks, but claimed that the bulk of operations were continuing unhindered on the Spanish side. *Jimmy Burns, London*

Romania decides election date

Romania is expected to hold parliamentary and presidential elections on November 3, slightly later than expected, government officials said yesterday.

The date, which must be formally approved, was set after a meeting of the main political parties on Wednesday, where it was also decided not to raise the minimum threshold for entry into parliament under Romania's electoral system.

The governing Party of Social Democracy (PDSR) earlier favoured increasing the threshold for parties from 3 per cent to 5 per cent of the national vote. Analysts said yesterday the PDSR appeared to have changed its mind after its poor performance in Sunday's local elections. The party, which has led a minority government for the past four years, had hoped that, in the next parliament, it would no longer have to rely on small, extremist parties which might not reach the 5 per cent mark.

Final results from Sunday's elections have been delayed until today. The authorities have been criticised for poor organisation of the elections, after, among other things, thousands of Romanians were not initially included on voting registers. *Virginia Marsh, Budapest*

Czech bank in administration

The Czech central bank yesterday placed Podnikatelská Banka, a small bank owned by one of the country's biggest pension fund management groups, in administration. It was the fourth bank to require emergency intervention this year. According to the National Bank, the move was prompted by 1995 losses at Podnikatelská of more than Kč1bn ($36m), which wiped out its share capital of Kč700m.

Podnikatelská, which has five branches and about 25,000 account holders, had a balance sheet total at the end of last year of Kč5.6bn. Set up in 1992, it is majority-owned by SPG Group, manager of the Entrepreneurs' Pension Fund, one of the three largest in the country.

The central bank said the move did not affect the pension fund, and bankers familiar with the group said Podnikatelská had no role in managing the fund. *Vince Boland, Prague*

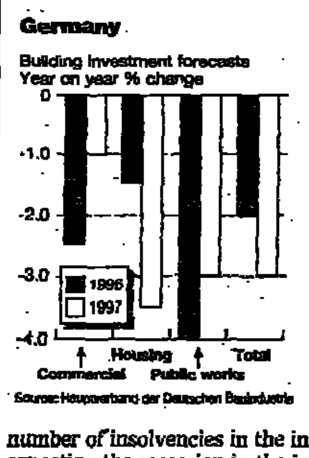
Greece increases state pensions

Mr Costas Simitis, Greece's socialist prime minister, yesterday announced increases of at least 11 per cent for pensioners over 65 who receive less than Dr100,000 ($400) monthly from state funds.

The decision to raise pensions reflected increasing political pressure from hardliners in the governing Panhellenic Socialist Movement (Pasok). Mr Simitis wants to defuse criticism of the government's economic stabilisation policy ahead of a Pasok congress later this month. In order to stay in office, he must defeat a leadership challenge from public administration minister Akis Tsochatzopoulos, leader of the party's hardline faction. *Kerin Hope, Athens*

ECONOMIC WATCH

Plea from German builders



Source: Hauptverband der Deutschen Bauindustrie

The German government has been urged by an industry leader to ignore the Maastricht criteria for a single European currency and to spend money instead on public investments to revive the construction industry. "Saving to death would be wrong," Mr Christian Roth, chairman of the Association of the German Construction Industry, said yesterday. The construction industry is facing its worst crisis in decades. According to Mr Roth, about 100,000 more jobs than expected had been lost and there had been a record number of insolvencies in the industry. Analysts had been expecting the recession in the industry to continue well into this year, but latest figures show that, with the exception of commercial properties in western Germany, it is likely to persist into 1997. *Michael Lindemann, Bonn*

■ The Dutch trade balance showed a surplus of Fl8.1bn ($4.7bn) in the first quarter of the year, a fall of 5.8 per cent from the same period of 1995.

■ Retail sales in Italy in February rose 10.2 per cent from a year earlier.

Spain set for big opening of economy

By David White in Barcelona

Spain's centre-right government is set to approve today what Mr Rodrigo Rato, economy and finance minister, has described as an urgent package of initiatives aimed at deregulation and the encouragement of small businesses, job creation and long-term savings.

The plan, foreshadowed before the March general election, has become all the more important because of a slowdown in year-on-year economic growth to 2 per cent in the first quarter, after a 3 per cent rate for the whole of 1995.

It follows the announcement of a Pta200bn ($1.54bn) cut in this year's public spending budget. The government, hoping this will be adequate to keep the budget deficit on track for the European single currency, is counting on higher growth in the remainder of the year to bring in sufficient tax revenues.

Mr Rato told senior international business executives in Barcelona on Wednesday night the package would include "a wide range of liberalisation measures" to increase competition in energy, housing, transport and telecommunications.

These plans include easing regulations on building-land and scrapping price ceilings for diesel fuel, a move the industry expects will lead later to the complete freeing of petrol prices.

The government also planned in the near future to present a broad programme of privatisations and aimed to open up competition in monopoly sectors. Deregulation, rather than monetary policy, would be the government's main instrument for bringing down inflation from 3.5 per cent to a target of 2.6-2.8 per cent next year, Mr Rato told the Fortune Global Forum meeting.

Today's package is expected to include incentives for employers to hire over-45s and under-25s on a permanent basis. Figures yesterday for registered unemployment showed a fall of more than 67,500 in May to 2.67m, or 14.36 per cent of the active population, down from 14.85 per cent in April, with a record number of 739,000 job placements.

Measures for small companies include allowing them to revalue fixed assets in their balance sheets to take account of inflation. This step, which follows strong pressure from industry, will enable them to reduce their tax burden by declaring higher depreciation charges. The last time they were permitted to update their valuations was in 1983, under the Socialists.

Mr Rato indicated there would be revised tax treatment for capital gains and moves to extend companies' protection from double taxation. The measures, he said, were designed "to give Spanish companies the best chance to compete in global markets".

He also said the government had invited proposals from construction companies for the co-financing or private-sector financing of infrastructure projects to "fill the gap" left by the state's reduced public works budget – the main victim of the latest expenditure cuts.

Details of the economic package were discussed this week between the ruling Popular party and the Catalan nationalists, its main parliamentary allies. Mr Jordi Pujol, the Catalan leader, said he intended to give the government, in office for just over a month, more time to prove itself and would review progress near the end of September, when the 1997 budget goes to parliament.

He warned that the new regional financing deal negotiated between the two parties was "crucial" for continued Catalan backing. The government needed to show it had "the capacity and the will to fulfil its part of the bargain", he said.

A poster in St Petersburg of candidate Grigory Yavlinsky Reuter

Yavlinsky urges vote against 'stupidity'

By John Thornhill in Moscow

Mr Grigory Yavlinsky, the radical economist, yesterday tried to inject some life into his lacklustre presidential campaign by urging Russian voters to reject their Communist past and authoritarian present and opt for a democratic future.

The 44-year-old leader of the liberal Yabloko faction, who has been trailing badly in the polls, said Russians should choose the third force in Russian politics and support the non-Communist democratic opposition to President Boris Yeltsin.

"Every vote cast for the democratic opposition will be a vote for the termination of war, a vote for freedom in Russia, a vote for the limitation of stupidity in Russia, a vote for the reduction of (nationalist leader) Zhirinovsky's influence, and a vote for the people to have an influence on the authorities," he said.

Despite holding recent talks with Mr Yeltsin, Mr Yavlinsky launched a ferocious attack on the president, accusing him of leading a "bloody autocratic regime".

He described Mr Yeltsin's recent peace initiative in Chechnya as a cynical "flop" which had disturbing Orwellian overtones. By describing war as peace often enough Mr Yeltsin was simply hoping to persuade people there was no fighting in the ravaged southern region, he said.

'If Boris Yeltsin wins, the oligarchic, monopolistic, criminal and corrupt regime will grow stronger'

"If Boris Yeltsin wins the elections, the oligarchic, monopolistic, criminal and corrupt regime will grow stronger in Russia. This is very dangerous. This will be the legitimation of authoritarian power and an authoritarian regime in Russia," he said.

Mr Yavlinsky was also highly critical of Mr Gennady Zyuganov, the Communist party candidate, and flatly rejected suggestions the two might form an alliance.

Despite pressure from many of the younger generation of Russian democratic leaders to stand down in favour of Mr Yeltsin, Mr Yavlinsky vowed to fight the elections to the end and said he had a good chance of making it through the first round on June 16 if the turnout was high enough.

Mr Yavlinsky also dismissed the possibility he might back out in favour of another candidate from the so-called "third force" in Russian politics such as Mr Alexander Lebed, the former army commander, or Mr Svyatoslav Fyodorov, the populist eye surgeon.

Mr Yavlinsky's campaign has seemingly been handicapped by poor organisation in the regions and his election manifesto has still not been published in the press.

Unlike Mr Yeltsin and Mr Zyuganov, who have been campaigning nationwide almost constantly over the past month, Mr Yavlinsky has also been all but invisible in the media. He complained that TV channels devoted 80 per cent of their coverage to the president and 10 per cent to Mr Zyuganov, while ignoring other candidates. "I think the brew fed to our citizens is disgraceful," he said.

Kohl and Chirac plan to push EU

By David Buchan in Paris

France and Germany want the forthcoming European Union summit in Florence to fix ambitious goals for European foreign and security policy co-ordination to give the EU's sluggish intergovernmental conference (IGC) fresh impetus.

This emerged out of talks which President Jacques Chirac and the German Chancellor, Mr Helmut Kohl, started at Wednesday's regular Franco-German summit in Dijon and carried on less formally for three hours yesterday at the Elysée Palace in Paris. The two countries do not appear ready to propose anything substantially new, but rather to give a push to the earlier proposals to the IGC calling for a higher-profile EU foreign policy and a mechanism to allow groups of member states to forge ahead without being held back by dissidents. France and Germany seem frustrated at the slow pace of the EU's constitutional revision and are concerned that the Italian presidency's agenda for Florence is a bland and voluminous rehearsal of the entire state of IGC negotiations.

Germany yesterday said it had agreed with France that development costs of Europe's planned Future Large Aircraft (FLA) military transport should be borne by industry, not governments, writes David Buchan. The German defence ministry said the accord was reached at Wednesday's Franco-German summit in Dijon.

France had already announced its desire to switch to commercial development of the FLA – a project eight European governments are studying with the aim of building several hundred aircraft – because it had only FFr650m ($126.5m) to spare in its 1997-2002 defence programme to buy FLAs off the shelf.

Paris and Bonn are keen to keep up the momentum towards new European security arrangements engendered by France's rapprochement with Nato, which in turn appears to have triggered an acceleration in its bilateral military relationship with Germany, a long-time Nato stalwart.

At Dijon, France and Germany pledged to give "a new push" to their defence co-operation "in a European perspective", with a document on military strategy, missions and equipment which they plan to adopt by the end of this year. Their joint defence study will review their 27 bilateral arms programmes, with the aim of also extending joint procurement.

Apart from also discussing Bosnia and the situation in Turkey following the resignation of its prime minister yesterday, Mr Chirac and Mr Kohl tackled preparations for the G7 summit in Lyons at the end of this month.

As the G7 host, Mr Chirac wants to see aid and debt relief to developing countries discussed at Lyons, but has so far failed to persuade the Germans to support the idea of the International Monetary Fund selling off more of its gold to help poor countries.

In the wake of Wednesday's substantial street demonstrations by workers at Electricité de France protesting against pressure, chiefly by the European Commission and Germany, for liberalisation of the European electricity market, French officials yesterday refused for now to give any details of the compromise the government is reported to have reached with Bonn on partial opening of the electricity market.

Clip card steps up rivalry in electronic 'purses'

By Motoko Rich in Seville

Competition in the new market for "electronic purses" intensified yesterday with the launch by Europay International, the payment card organisation, of its Clip card.

Other organisations, such as Mondex in the UK, Geldkarte of Germany and Proton of Belgium, are already holding trials of cards "loaded" from bank accounts and spent instead of cash in shops and other retail outlets.

Clip cards are designed for small transactions, averaging about Ecu25 ($30), and will be loaded from automatic tellers and personal computers.

Europay, owned by 7,000 member banks, claimed its card would have the advantage because transactions could be traced – each purchase is recorded at the point of sale, and banks can obtain records. Rival cards work like cash, with no record of individual transactions.

Some observers think audit trails could make the cards too expensive to administer. But Mr Louis-Noel Joly, who takes over as chief executive of Europay today, said: "The audit will be only the exception. So the records can be kept cheaply on low-level memory in computer archives."

Mondex yesterday welcomed the launch. Its trial in Swindon in the UK has attracted 10,000 customers; it plans to roll out the card throughout the UK in late 1997. Mondex is being tested in San Francisco and will be "piloted" in Hong Kong and Canada later this year. Mondex suppliers are developing machines to accept all types of "electronic purse".

Observers believe it will be some time before consumers and retailers welcome electronic cash. "Notes and coins are fast and efficient for low-value transactions," said Mr Peter Hirsch, managing director of Retail Banking Research, the payment systems consultancy.

NEWS: WORLD TRADE

In search of fair skies over the Atlantic

Talks between BA and American have intensified debate on US-UK access, writes Michael Skapinker

As airlines prepare for the northern hemisphere summer season, one topic dominates conversation. When will British Airways and American Airlines conclude their negotiations and launch the most powerful alliance the aviation industry has seen?

Some in the industry believe BA and American might restrict themselves to co-ordinating routes and selling seats on each other's flights. Others think the two carriers will exchange equity stakes or even create a new company called British American Airlines.

What is clear is that an announcement by BA and American that they want to form an alliance would be only the beginning of a protracted process. Winning approval for any alliance from the US authorities is likely to take months.

Some officials believe that little progress is likely until after the US presidential elections in November. US officials have only recently begun to discuss the alliance in any detail with American. A senior US administration official travelled to American's headquarters in Dallas for discussions last week. "They hadn't kept us informed," one US source said.

When UK and US officials are ready to discuss an alliance in detail, several problems will confront them.

The first is that a far-reaching alliance will require anti-trust immunity from the US authorities. The US has made clear, however, that it will not grant immunity unless the UK is prepared to renegotiate the bilateral aviation treaty that dictates which UK and US airlines can fly across the Atlantic to different cities.

The US says the treaty does not allow its carriers sufficient access to London's Heathrow, the busiest international airport in the world. American and United Airlines are the only two US carriers allowed to fly into Heathrow.

The US is demanding an "open skies" agreement with the UK as the price for approving a deal between BA and American. The difficulty is that the US and the UK have different ideas of what open skies means. To the US, it means the right of airlines from one country to fly to any airport in the other. It also means US airlines should have "beyond rights", the ability to fly from Heathrow to any other point in the world.

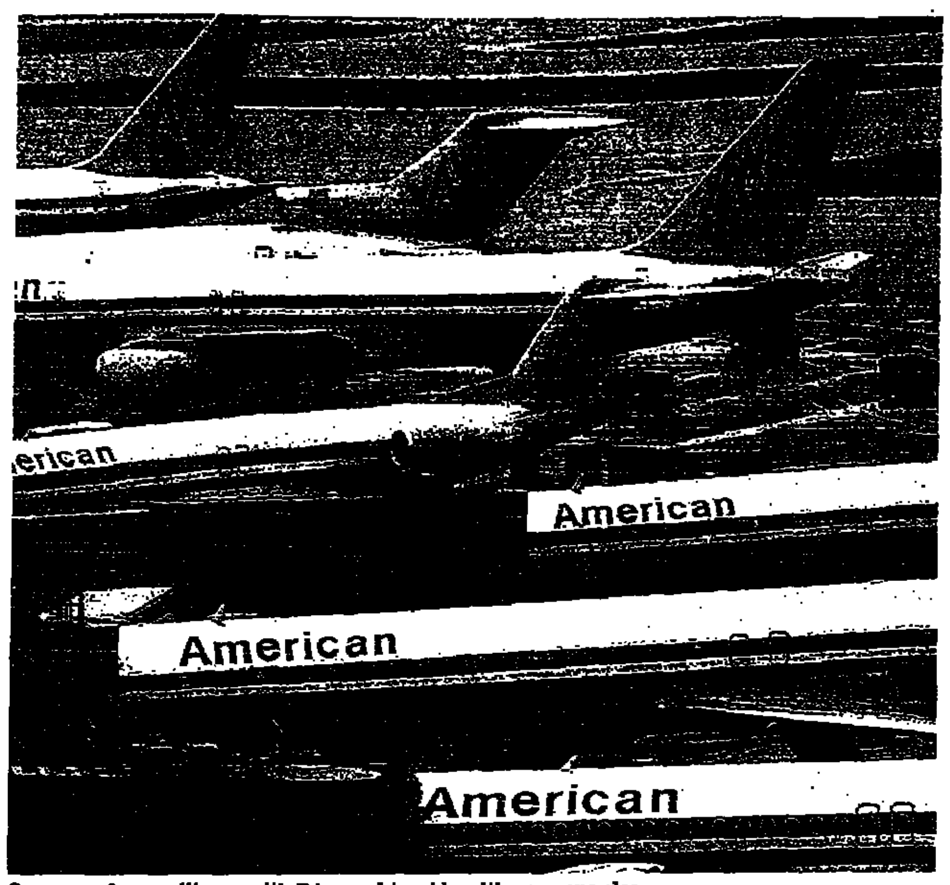
The US wants an 'open skies' agreement in return for approval

Officials in the UK seem reasonably comfortable about granting US airlines free access to Heathrow. The UK is far more resistant to granting US airlines beyond rights. The UK believes the US demand for beyond rights is one-sided as the Americans cannot offer anything substantial in return. There are few countries that UK carriers would like to fly to from the US, whereas US airlines could use Heathrow as a base to compete with BA on prime destinations to the Far East and elsewhere.

The US will try to assuage UK anxiety by pointing out that winning the right to fly from Heathrow is only half the battle. US carriers would still have to get permission to land in third countries, a process which could take years. The UK is unconvinced. "The US has a fair amount of clout in countries such as Singapore, Malaysia, the Philippines and Japan," one UK official says.

Even granting freer access to Heathrow is fraught with difficulties. The UK will say that if US airlines win the right to fly to Heathrow, they will have to accept that the airport is full.

If US carriers want to use Heathrow they will have to follow the example of Virgin and British Midland, which spent years accumulating landing and take-off slots at the airport. "An open skies agreement can't magic slots out of nowhere," a UK official says.



On course for an alliance with BA – and trouble with everyone else

This attitude is unacceptable to US carriers such as Delta Air Lines, which wants to fly to Heathrow. Mr Scott Yohe, Delta's vice-president for government affairs, says: "The US government has got to obtain assurances that US carriers that want to take advantage of the new regime can do so."

There should be some slots available at Heathrow if a BA-American alliance goes ahead.

Combining the two airlines' operations would give them an overwhelming position on UK-US routes. The two carriers together control 60 per cent of flights between the US and the UK. They account for 70 per cent of traffic between London and New York. They would almost certainly be required to give up some of their flights if their alliance was to be approved.

Virgin is likely to demand, however, that it, rather than US airlines, receives some of those slots. Virgin is also likely to call on the US and UK governments to block a BA-American alliance on the grounds that it would be too big and would act against consumers' interests.

Mr Will Whitehorn, spokesman for Virgin Atlantic, says: "They are attempting to dominate the transatlantic market. It will prevent other companies from expanding. This is completely different from any other deal ever concocted. It's Aeroflot Mark II in the capitalist west."

New York awards $1.1bn airport work

By Andrew Taylor, Construction Correspondent

A contract to design, build and operate a $1.1bn international arrivals terminal at John F. Kennedy airport in New York has been awarded to a consortium of US, British and Dutch companies. The project is one of the largest public/private joint ventures to be undertaken in the US.

The concession to develop and operate the airport terminal over 25 years has been awarded by the New York Port Authority Board of Commissioners.

Other bidders for the project included Bechtel, the largest US construction and engineering group, and Lehrer McGovern Bovis, the UK-owned construction group.

Mr George Pataki, New York state governor, said: "The project will be a cornerstone of a $3.4bn programme that will rebuild much of Kennedy airport over the next five years."

The winning consortium includes LCOR, a large regional developer; the US subsidiary of Schiphol, the Dutch airport management company; Fluor Daniel, the US project manager; and Morse Diesel, the US engineering subsidiary of Amec, the UK construction group.

Finance for the terminal is expected to have been arranged by the end of this year by Lehman Brothers and Citicorp Securities, also members of the consortium.

Construction, due to start next year, is planned to be completed by early next century. The consortium will return the terminal to the port authority after 25 years. It will be responsible for managing the terminal and sub-letting substantial retail and leisure facilities which are expected to command premium rents.

Mr Pataki said: "The project will draw on the ability of private sector companies to deliver top quality services at the best possible price. Redevelopment of the international arrivals building will significantly contribute to the region's economy, especially in such vital sectors as international business and tourism."

JFK last year handled 17m international passengers – more than any other US airport.

The new terminal will provide 1.4m sq ft of accommodation enclosed largely by glass walls. It will replace the existing international terminal opened in 1958 when passenger volumes were much smaller.

Morse Diesel will carry out the construction of the terminal. Amec, its UK parent, is currently leading the joint venture building an £800m ($1.2bn) terminal at Chek Lap Kok, Hong Kong's new international airport.

US trade policy 'encouraged heavier smoking in Asia'

By Guy de Jonquières, Business Editor

Aggressive action by US trade diplomats to prise open Asian tobacco markets has resulted in a substantial increase in smoking in those countries, with adverse consequences for health, an independent US study has found.

The National Bureau of Economic Research, a non-profit research organisation, estimates that in 1991 average cigarette consumption per head was almost 10 per cent higher in Japan, Taiwan, South Korea and Thailand than it would have been if their markets had remained closed.

"Given the substantial health consequences of cigarette smoking, one likely consequence of this liberalisation of trade is an increase in the morbidity and mortality associated with cigarette smoking in these countries," the study says.

It estimates that if China and other east Asian markets had also yielded to US pressure to open their markets to imports, under threat of retaliatory trade sanctions, cigarette consumption in the region would have been 7.5 per cent higher.

The US tobacco industry, which exports almost 30 per cent of its cigarette production, has repeatedly denied suggestions that its entry into previously closed markets has encouraged higher consumption levels. However, the NBER study claims to be the first to attempt to measure smoking trends in Asia using a sophisticated economic model to analyse data from export markets. It compares consumption patterns in the four open markets with those in six other Asian countries, adjusted to reflect national income.

It finds that in the four markets, consumption of US cigarettes was more than 600 per cent higher than when they signed agreements, under pressure from Washington, to admit foreign tobacco products.

The study suggests US exports helped raise overall consumption partly because they led to fiercer price competition and because they were backed by powerful advertising and marketing campaigns.

The study notes that the US acted most aggressively to open foreign tobacco markets under the Reagan and Bush administrations. The Clinton administration had taken a softer line, saying it would respect other countries' health regulations, even if they conflicted with US law.

US trade policy and cigarette smoking in Asia. Working Paper 5,543. Frank J Chaloupka and Adit Laixuthai. NBER, 1050 Massachusetts Avenue, Cambridge, Mass. 02138. Tel: 617-868 3900. Fax: 617-441 3895.

Launch insurance costs 'set to fall'

By David Owen in Paris

Insurance costs on satellite launches are likely to fall sharply once Ariane 5 arrives on the commercial market, according to Mr Charles Bigot, chairman of Arianespace, the France-based organisation with more than 50 per cent of the world market for commercial satellite launches.

This is partly because of the guarantee of a free relaunch that the company is offering customers in the event of the failure of any Ariane 5 mission and partly because of what it is convinced will be the greater reliability of the new rocket.

European space officials say there is a risk of one possible failure every 70 launches with Ariane 5, against one every 15-20 launches with its predecessor, the Ariane 4.

The maiden flight of the Ariane 5 ended in failure in French Guiana on Tuesday when the rocket exploded shortly after lift-off. The investigation into the causes of the accident is focusing on the electrical system and on computer software. The investigating commission will report by mid-July.

According to Mr Bigot, insurance rates for a typical Ariane 4 launch are currently running at 14-15 per cent of the total insurance value, against around 18 per cent a year ago.

Mr Bigot said Arianespace had set aside a guarantee fund of unspecified size to cover any costs arising from its free relaunch offer on Ariane 5 flights.

Mr François Fillon, the French space minister, said yesterday a Franco-Russian satellite-launching venture might soon be formed.

Mr Fillon told Radio-France Internationale: "We are very close to signing an accord... which will permit Arianespace to market any satellite capable of being put into orbit, large or small, using either Ariane 4 or Ariane 5 or a Russian launcher that might in future be developed within the framework of a collaboration between the Europeans and the Russians."

Indonesia fails to defuse car row

By Manuela Saragosa in Jakarta

Indonesia's efforts to defuse international opposition to its controversial policy to develop a national car and its decision initially to manufacture the car in South Korea have provoked a further barrage of criticism and brought the country closer to action under the World Trade Organisation.

Diplomats and analysts believe the latest steps to ease the controversy merely strengthen the case against Jakarta. "It's becoming harder to argue against taking this to the WTO," a senior trade representative said in the capital.

The national car programme exempts Timor Putra Nasional, a company owned by President Suharto's youngest son, from import duties and luxury sales tax to develop a vehicle in co-operation with South Korea's Kia Motors.

In an attempt to placate international criticism, the government this week unveiled a regulation to remove luxury sales taxes on a range of vehicles, provided they contained locally manufactured components amounting to at least 60 per cent.

No car manufactured in Indonesia currently meets this criterion, although Toyota of Japan manufactures a commercial vehicle with 51 per cent local content and which is set to meet the 60 per cent target within the next three years.

Timor Putra Nasional, which has no assembly facilities in Indonesia, will be allowed to import up to 45,000 completed cars from South Korea duty free over the next year and sell them tax-free in Indonesia. These imports threaten to violate a WTO article which stipulates that imports cannot be treated differently from locally manufactured products.

In addition, the change in tax treatment based on a car's local content is believed to breach a WTO "standstill" agreement under which Indonesia vowed not to add rules to the tariff and tax structure for its automotive industry.

The national car policy has drawn criticism from the Japanese government, the European Union and US industry.

WORLD TRADE NEWS DIGEST

Siemens wins Philippine deal

Siemens of Germany yesterday won a $650m contract to build a 990MW gas-fired power plant at Batangas in the Philippines. The contract, awarded by First Gas Holdings, a joint venture between British Gas and a local partner, also includes infrastructure and fuel transportation facilities for the plant 80km from Manila.

The power station will be supplied with natural gas by pipeline from the Malampaya gas field in the Philippines, which has reserves of 12,000bn cubic metres. The Malampaya gasfield, jointly controlled by Shell Pilipinas, the local arm of the Anglo-Dutch group, and Occidental of the US, recently became the subject of controversy when the Philippines government announced plans to import liquefied natural gas (LNG) to supply local power stations.

Shell and Occidental argued that the gasfield, which has the capacity to supply the equivalent of 3,000MW of power a year for 20 years, was more than sufficient for local needs. They also argued that importing LNG would undermine the country's drive for energy self-reliance and led to unnecessary foreign exchange risks. *Edward Luce, Manila*

Canada faces magazine dispute

The US yesterday called for establishment of a World Trade Organisation disputes panel to examine Canada's allegedly discriminatory treatment of imported magazines.

Though Canada refused to accept a panel at the first time of asking, under WTO rules it must do so when the request is made again at the next meeting of the dispute settlement body on June 19. Washington says Canada bars the import of some periodicals, imposes discriminatory excise taxes on so-called "split-run" magazines (US magazines with Canadian content and advertising for circulation in Canada), and gives some Canadian periodicals favourable postal rates.

Canada said "cultural" measures in the magazine sector were of long standing, but there were no restrictions on foreign magazines. *Frances Williams, Geneva*

Pierson hints on Airbus future

Mr Jean Pierson, managing director of Airbus Industrie, yesterday indicated that the Reuter committee examining the future of the European manufacturing consortium will recommend turning it into a limited company. Mr Pierson told the Aviation Club in London that he could not pre-empt the conclusion of the committee, which is chaired by Mr Edzard Reuter, former chairman of Daimler-Benz of Germany.

But Mr Pierson added: "I can confirm its central ambition will be to create an organisation that best equips us to continue our war on costs and further sharpens our responsiveness to customers. And let me reaffirm that this war is best fought by an Airbus Industrie functioning as an integrated company." Airbus is currently a *groupement d'intérêt economique*, which means any profits and losses are incurred by its shareholders, Aérospatiale of France, Daimler-Benz Aerospace, British Aerospace and Casa of Spain. *Michael Skapinker, Aerospace Correspondent*

■ Singaporean investors yesterday opened Vietnam's first foreign-financed bowling alley in Ho Chi Minh City, part of a vast, $14.6m leisure centre targeted at the city's growing middle class. The complex, known as Saigon Superbowl, has been under construction near the city's airport for the past year and includes 32 lanes of bowling, snooker tables, an amusement arcade and a fast food outlet run by Jollibee of the Philippines. SUTL Group, a Singapore company, holds 60 per cent of the foreign joint venture stake of 70 per cent, with Singapore companies Guthrie GTS and Tecsin Holdings splitting the rest of the foreign equity. *Jeremy Grant, Hanoi*

■ Lucent Technologies, the telecommunications manufacturer formerly part of AT&T of the US, has signed a deal worth almost $800m to continue development of a digital mobile phone network in Saudi Arabia. The network will conform to the GSM digital standard used in Europe and much of Asia. *Alan Cane, London*

■ An Anglo-German consortium has been selected to undertake a DM400m ($260m) city centre redevelopment in Chemnitz, fourth largest city in eastern Germany. It will be one of the largest redevelopments of its type in Europe according to Amec, the UK construction group, which has a 42.5 per cent stake in the winning consortium. Other members include German contractor Philipp Holzmann. *Andrew Taylor*

■ Israel has accused Procter and Gamble of selling imported disposable nappies at up to 41 per cent below market prices. The move followed a suit filed by Israel's leading nappy manufacturer, Amir Paper Products, demanding a levy of up to $2.59 per pack on Procter and Gamble nappies for three years. *Reuter, New York*

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NEWS: THE AMERICAS

Cuban trade zones aim at foreign cash

By Pascal Fletcher in Havana

Cuba yesterday presented legislation for the creation of free trade and industrial zones in an effort to maintain foreign investment interest in the face of tightened US economic sanctions.

The new decree law detailed the tax, customs and labour regulations that will govern the zones, which were first mentioned in a foreign investment law introduced by Cuba last September 5.

"We think Cuba is an attractive site for free trade zones," said Mr Ibrahim Ferradaz, minister for foreign investment. The island could offer a privileged geographical position, a developed transport and communications system and a skilled and educated workforce, he added.

A number of sites were under study. These included two ports, Mariel, 27 miles west of Havana on the north coast, and Cienfuegos, on the south coast. Another possible site was Guanajay, near Havana's international airport.

Officials portrayed the free trade zones law as a clear sign that Cuba remained open to foreign capital despite the US legislation aimed at discouraging foreign investment on the island.

Asked about reports that Mexican companies were withdrawing from ventures in Cuba because of the Helms-Burton legislation, aimed at punishing foreign companies that do business involving Cuban property confiscated from US citizens and companies, Mr Ferradaz said his ministry had not been told of any withdrawal by an existing investor.

Besides exemption from customs duties on imports into the designated areas, the Cuban free zones would offer exemptions and rebates on utilities and labour taxes normally paid by foreign companies. For production activities, there would be a 12-year total exemption followed by five years of a 50 per cent rebate. For trade and services, the total exemption would last five years followed by three years of 50 per cent rebate.

Existing Cuban labour regulations would apply, but joint ventures in the free zones could be allowed to contract workers directly, without a Cuban intermediary, if they received permission.

The law foresees two categories of investor, both foreign and national. "Concessionaries", who would provide infrastructure and services, such as factories, warehouses and offices, could enjoy concessions up to 50 years. In the case of "operators", designating those who were manufacturing or carrying out other business, the concession period was negotiable. Banking, financial and insurance services would also be allowed.

Dole makes last budget point in Senate

By Patti Waldmeir in Washington

Senator Bob Dole yesterday sought to score a few final political points before leaving the Senate to concentrate full-time on his presidential campaign, when he forced a vote on a balanced budget constitutional amendment knowing that Senate Democrats would block it.

Mr Dole, who is to retire from the Senate next week, said it was not important whether he won or lost the vote. He wanted to hold it anyway to "make a statement" to show Republicans care more about balancing the federal budget than do the Democrats and President Bill Clinton. The Senate voted 64-35 for the proposal, two votes short of the two-thirds majority needed to amend the constitution.

Public opinion polls continue to show strong public support for a balanced budget, and Mr Dole is hoping to use the issue to boost his presidential campaign. The latest vote will allow him to say on the stump that Democrats in Congress twice stood in the way of the fulfilment of a Republican promise – contained in the 1994 Contract with America – to change the constitution so that the federal government would be forced to balance its budget. In March last year, Democrats defeated the proposed amendment in the Senate by one vote.

Mr Dole even enlisted the help of Thomas Jefferson yesterday, in a speech on the Senate floor designed to differentiate his image from that of Mr Clinton. More than 200 years ago, he said, Jefferson had insisted it was wrong to "saddle posterity with our debts" and modern-day Republicans still held to that rule.

He bolstered that prohibition with a few figures in modern-day dollars: it cost today's taxpayers $800 a year in taxes just to service the national debt, he said, adding that by driving up interest rates, the deficit imposed a "stealth tax" on every American.

The White House immediately countered Mr Dole's assault. Mr Mike McCurry, the presidential spokesman, said the Senate vote was a "meaningless gesture", and Mr Clinton stressed that no constitutional change was needed to achieve budget balance.

Democrats accuse Mr Dole of hypocrisy for insisting on a balanced budget amendment while simultaneously calling for big tax cuts.

Cavallo reforms Argentine economic ministry

By David Pilling in Buenos Aires

Mr Domingo Cavallo, Argentina's economy minister, has assumed direct control of the internal revenue service (DGI) in a reshuffle designed to streamline the ministry and to strengthen his own power base.

The economy minister, who admitted earlier this week that the DGI had failed to stamp out tax evasion, will now be personally responsible for increasing collection, vital if Argentina is to meet its International Monetary Fund targets in 1996 and 1997.

The move could risk greater conflict between Mr Cavallo and the Congress, since the DGI has recently launched a series of controversial measures designed to crack down on tax evasion. These include a "certificate of good financial conduct" which individuals will require to undertake any important transaction, as well as plans to allow the DGI greater access to personal financial information such as credit-card spending.

Given the sensitivity of tax issues in Argentina, Mr Cavallo is likely to be exposed to public criticism should his clampdown be deemed too harsh. Equally, should new measures fail to raise the tax take, the minister could also find himself in the line of fire.

Mr Cavallo, in a ministerial reshuffle that foreshadows scheduled reform of the entire state bureaucracy, merged several secretariats within his so-called superministry.

Mr Marcelo Regúnaga will head a newly fused trade, investment, mining and industry secretariat, assuming responsibilities previously held by Mr Carlos Magariños over mining and industrial policy. Mr Carlos Bastos, energy and transport minister, adds public works to his portfolio. Two subsecretariats, of investment and small and medium business, have been scrapped.

Although Mr Cavallo's empire has ceded some powers in recent months, the superministry is still regarded by many as acting like a separate cabinet within the administration.

Ecuador's populist in the lead

And the polls are worrying the markets, reports Raymond Colitt

Ecuador's presidential elections next month are being depicted in the financial markets as a battle between populism and privatisation. And opinion polls being published before a blackout starting this weekend suggest populism – in the form of Mr Abdala Bucaram of the Roldosista party – has a strong lead.

Mr Jaime Nebot of the centre-right Social Christian party (PSC), who won most votes in the first round of the elections last month, has reduced Mr Bucaram's lead in the last week or so. But, according to two polls published yesterday, Mr Bucaram is still ahead by between 6 and 12 percentage points for the run-off election on July 7.

Brady bonds issued by Ecuador as part of a debt restructuring agreement with international banks last year, and the country's most widely traded financial instrument, have "by far been the worst performers in the market since Bucaram's surprisingly strong showing in the first round on May 19," according to Mr Peter West of WestMerchant Capital Markets in London.

According to a recent survey of Ecuador's leading economic analysts and journalists, released by the consulting firm Multiplica, a government under Mr Bucaram would be inefficient, intolerant, state-oriented, and driven by personal interests, while Mr Nebot's would be efficient and market-oriented – but also authoritarian and indifferent to social inequalities.

Mr Bucaram, the grandson of Lebanese immigrants and a lawyer by training, boasts of having been the target of 44 legal proceedings. He was twice exiled to Panama and charged with fraud while mayor of Guayaquil. His sister Elsa Bucaram is still in exile in Panama over charges of embezzlement while she was mayor in Guayaquil.

Mr Bucaram derides the wealthy, saying he represents "whores, peasants, and farmers, the ones without a voice in [the] country".

Says Mrs Rosalia Arteaga, Mr Bucaram's running mate: "We're not obsessed with figures; at times, all they do is strangle the people." She proposes strengthening the moribund social security institute IESS, forgiving overdue interest payments for farmers, and adopting subsidies for the poor. Mr Bucaram would also seek to renegotiate Ecuador's foreign debt according to "the country's ability to pay".

Though Mr Nebot has softened his talk of market-oriented reform to broaden his appeal, his advisers say he would still push ahead with the modernisation of the state, including the sale of a 35 per cent stake in the telecommunications and electricity companies, Emetel and Inecel respectively. Pending the establishment of a rate structure and a final appraisal of Emetel, the share package could go on the market in the second half of the year, though legislative approval for the privatisation is still deadlocked in congress.

According to Mr Francisco Swett, Mr Nebot's economic adviser, a PSC-led government would even consider the sale of "shares in certain sectors of the petroleum industry".

Mr Swett, a Princeton-trained economist and prominent member of the PSC, says he aspires to head the monetary board or the state modernisation entity, Conam, where he is currently a consultant.

By law, the estimated $2.5bn-$3bn in proceeds from Emetel's partial privatisation would go to a fund, income from which would be reserved for social sector investment. The fund's capital would finance lines of credit in housing and agriculture and, says Mr Swett, could be used to buy back Brady bonds on the secondary market. Ecuador's total public foreign debt stands at $12.36bn, or 66 per cent of GDP. Mr Nebot would also scale back the IESS, allowing for parallel private coverage, including pension funds.

Despite striking differences in the two candidates' economic orientation, analysts say that in office their economic policies would differ less.

The new president would inherit a relatively stable economy with a healthy set of macroeconomic accounts. Unlike previous governments, which have engaged in rampant pre-election spending, the current government of President Sixto Durán Ballén is likely to finish its term on August 10 with monetary reserves at $1.6bn, five months' export earnings, annual inflation of 21 per cent, and a budget deficit close to 1 per cent of GDP.

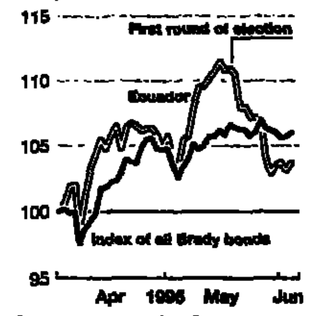
Moreover, lacking a clear majority in congress, both contenders would have to forge compromises to avoid stalemate.

"Both candidates would have to continue with the opening of the economy," says Mr Alberto Quiroz, president of the Quito stock exchange. "It will be very difficult to take the country off its course in economic and exchange rate policy."

Jaime Nebot: regime predicted to be efficient and market-oriented but authoritarian

Ecuador

Brady bond indices, rebased



Source: WestMerchant Bank Capital Markets

NEWS: ASIA-PACIFIC

Japan housing loan bail-out plan approved

By Gerard Baker in Tokyo

Hashimoto: his government wants commercial banks and other institutions to raise contributions to bail-out

A Japanese parliamentary committee yesterday finally approved a government plan to spend Y685bn ($6.33bn) of public money towards the liquidation of the country's bankrupt housing loan companies.

However, it looked increasingly certain last night that the funds would never in fact be used.

The governing parties' majority on a special committee of the lower house was sufficient to push through a series of financial reform bills, including the highly unpopular spending plan, over opposition protest.

Legislators have been wrangling over the measure for six months, but the committee vote brings enactment of the legislation much closer. The bills will go to the full lower house today. If they are approved they will be voted on by the upper house before the scheduled end of the parliamentary session next week.

It seems almost certain, however, that most of the money allocated will never be disbursed towards the housing loan company bailout. Pressure from the opposition and the public over the last few months has forced the government to consider modifications to the plan.

It seems certain most of the money will never be disbursed

Senior officials at the finance ministry indicated yesterday that, once the measure had received parliamentary approval, the private sector would be asked to shoulder more of the costs of the liquidation scheme.

The government of prime minister Ryutaro Hashimoto is expected formally to request the commercial banks and agricultural financial institutions, the two principal creditors of the housing loan companies, to increase their contribution to the bailout.

Currently the scheme calls for the banks that founded the housing lenders to write off losses of Y3,500bn, other banks Y1,700bn and the agricultural bodies Y530bn.

Public funds would pick up the remaining Y685bn. However the banks and the agricultural co-ops are to be asked voluntarily to increase their share of the losses.

In spite of their misgivings both groups appeared yesterday to be prepared to accede to the government's request in order to avoid further delay in settling the liquidation.

The curious compromise of having the funds approved by parliament only for the government to all but abandon the plan seems to have been designed to minimise the political discomfiture of all sides in the dispute.

Both government and opposition have staked their political success on the outcome of the debate on the housing loan bailout. Those stakes had eventually risen too high for either side to be seen to lose.

Everything to go in Cook Islands sale

By Edward Luce in Manila and Nikki Tait in Sydney

The Cook Islands, the tiny debt-ridden South Pacific nation of just 20,000 people, is about to become an unlikely laboratory for an exercise in economic shock therapy.

Prompted by the islands' disastrous debt, owing chiefly to its default last year on a US$100m debt to an Italian bank for the construction of a luxury hotel, the Cook Islands plans to cut the public sector workforce by two-thirds to 1,200 employees, axe 30 out of 52 government departments and close all overseas diplomatic missions except its high commission in New Zealand. Its national debt stands at US$141m, about 120 per cent of gross domestic product.

The reform package of mass privatisation and deregulation, to be launched on July 1, was assembled in barely 72 hours after the conclusion of a donors' meeting in Fiji on Monday.

The plan has been drawn up partly on the advice of the New Zealand government. New Zealand, one of the donor nations at this week's meeting, is titular sovereign of the Cook Islands and itself a trail-blazer in radical economic experimentation.

One economist said New Zealand was exporting "Rogernomics" to the islands, a reference to Mr Roger Douglas, Wellington's radical finance minister of the mid-1980s.

"It would be fair to say that these reforms are even more radical than the recent New Zealand reforms," said Mr John Samy, an economist at the Asian Development Bank.

Triggered by an initial default on the national debt last year, several senior officials in the recently elected government have resigned amid controversy in the past 18 months.

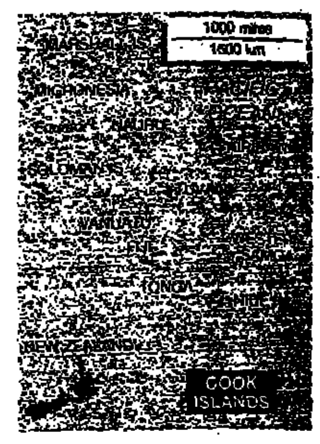
One prominent scandal is the still uncompleted 200-room Sheraton Hotel, on the outskirts of Avarua, capital of the Cook Islands. The government was persuaded to back the scheme by Mr Francisco Pecchi, an Italian businessman. The scheme attracted the backing of the Italian government, but funding ran out and Mr Pecchi was later found murdered in Vanuatu.

As part of the radical reforms, the Cook Islands will next month privatise most of the state sector, including four hotels, the state alcohol store and the Cook Islands Broadcasting Corporation.

In addition, a series of bills are expected to be enacted in July handing over the auditing of public finances to private companies, moving the state budget to a transparent accounting system and contracting out an array of government functions to the private sector. The Asian Development Bank, which is to lead a multilateral team to restructure the country's debt, estimates the reforms will be completed within months.

These latest measures follow earlier attempts to correct the economic ills.

Last year the crisis led to the replacement of the Cook Islands dollar with the New Zealand dollar, transferring currency and interest rate control to the New Zealand Reserve Bank in Wellington.



And in March, the authorities imposed an immediate 15 per cent pay cut for all public sector employees and a 50 per cent salary deferral lasting two years – which sparked street demonstrations.

Reform pledge hailed in India

By Mark Nicholson in New Delhi

India's business and financial leaders have responded with relief to the pro-reform tenor of the new United Front government's first policy statement.

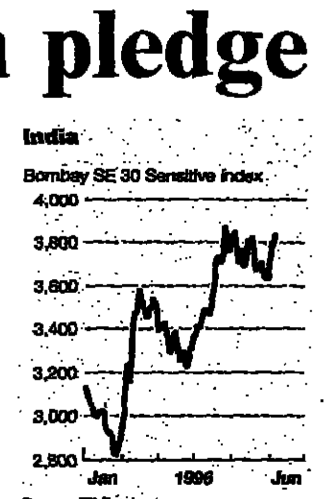
But this is tempered by economists' warnings that the coalition's determination to put development and investment before "fiscal prudence" could lead to serious slippage in the delicate fiscal position.

Much of the reaction in industry and financial markets (the Bombay 30-share index rose 17.26 points to 3,830.31) derives from the fact that the United Front's "minimum programme", issued on Wednesday, suggests no reversal of India's four-year-old reform programme and in some cases hints at further liberalising.

This from a 13-member coalition comprising largely leftist, lower-caste or "social justice" parties from which less had been expected and worse feared.

Mr Shekhar Dutta, president of the Confederation of Indian Industry, welcomed the programme as "an historic and unprecedented" policy document. "It's much more liberal than we thought," agreed Mr V. Raghuraman, secretary-general of the Associated Chambers of Commerce and Industry of India.

Through the Indian press and business leaders' comments rang the same refrain:



the document showed there was an irreversible political consensus on deregulating and liberalising reforms.

Few commentators believed the government could readily raise growth rates from 6 to 7 per cent, "abolish poverty" by 2005, double education spending to 6 per cent of gross domestic production, raise infrastructure spending to 6 per cent of GDP or, given such commitments, cut the fiscal deficit to below 4 per cent of GDP, as the document suggests.

Such claims are seen as inevitable from a government elected by largely poorer, rural and lower-caste voters.

Many were impressed that a government including socialists and communists was prepared to countenance continued public-sector disinvestment, said it would "discourage" but not bar foreign investment in "low-priority sectors" and be prepared to open the long-nationalised insurance sector to private and foreign competition.

"The insurance move alone," said Mr Rajiv Lall, vice-president of Morgan Stanley Asia, would be a "huge development" – crucial for emergence of a properly liquid long-term debt market.

The UF's pledge to review "all controls and regulations that are in the way of increasing the incomes of farmers" was widely welcomed as opening a critical area of reform left virtually untouched by the former Congress government.

Many felt the UF's document was close to what might have been expected from a returned Congress government.

Industry and markets have taken cheer not only from the fact that Mr P. Chidambaram, finance minister, is a zealously reformist former member of the old Congress government. In addition, he has so far retained the respected bureaucrats who set in motion India's liberalisation programme.

As several economists warned, this team faces a greater challenge in balancing the political requirements of the new government with its stated goal of cutting India's fiscal gap from 5.9 per cent of GDP to "below" 4 per cent.

Few felt the government would easily match the present deficit level, given its implied promises to raise spending on public enterprises, education, health, agriculture, subsidies and infrastructure.

The Reserve Bank of India warned this week that though the last government had "reasonable success" in controlling the deficit, India's fiscal position was "fragile" and under increasing strain.

Higher government borrowings, at increasingly high interest rates, were already threatening a debt trap. Interest payments now take up 52 per cent of the government's receipts, against 30 per cent in the mid-1980s, the bank said.

Economists at Jardine Fleming and Crosby Securities attached alarm bells to the government's pledge to put "development" (state investment spending) before "fiscal prudence". "The government is looking to be populist," one Bombay-based economist said, "so fiscal deficit be damned."

Keen eyes will be fixed on Mr Chidambaram's first budget, due mid-July. He and his government may find they have less room to manoeuvre than their spending promises suppose.

"The only reason the fiscal situation has been contained in the past few years has been because of India's fabulous growth rates," says Mr Arjuna Mahendran, Crosby's chief regional economist. "But when growth falters, the fiscal position has a habit of unravelling fast."

Pol Pot fatally ill or dead, say rebel officials

By Ted Bardacke in Bangkok

Pol Pot, the nefarious leader of the Khmer Rouge, which ruled Cambodia from 1975 to 1979 and still terrorises the country today, is fatally ill or already dead, some Cambodian intelligence officers and rebel officials said yesterday.

Cambodian interior ministry officials said they could not be sure of Pol Pot's condition. Thai military officers said that while Pol Pot was ill with malaria and high blood pressure, he was not in a serious condition. Reports of his death circulated earlier this year but were later widely discounted.

Cambodian government officials have speculated that the Khmer Rouge might be deliberately spreading rumors of Pol Pot's death in an attempt to encourage people to forget about him. The organisation views Pol Pot's legacy as an enduring liability.

Pol Pot was architect of one of the bloodiest episodes of mass murder this century. Some 2m people of a population of 8m were killed in the Khmer Rouge's four-year reign. He has not been seen in public since just after he was ousted in 1978 by the Vietnamese.

Although he nominally stepped down from his leadership position in 1985, he continued to control the organisation which, backed by the US, continued to wage a guerrilla war against the Vietnamese-backed communist government throughout the 1980s.

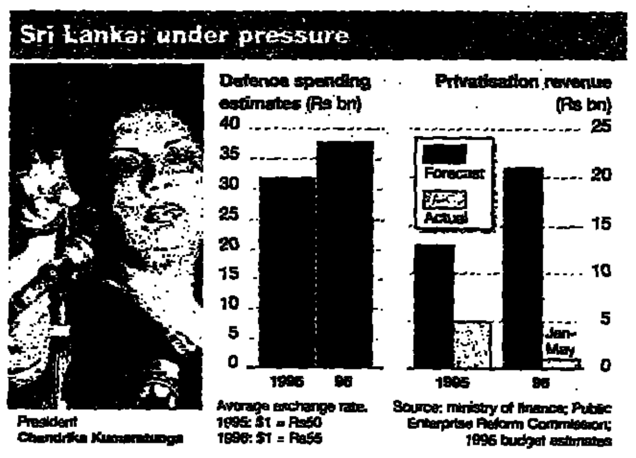
A veteran of radical student politics in France in the early 1950s, Pol Pot was said to have directed Khmer Rouge participation in a 1991 UN-brokered peace accord, and then ruthlessly enforced his order that the group should boycott elections in 1993.

Under Pol Pot, the Khmer Rouge attempted to enforce a brutal agrarian utopia free of cities, money, private property, religion and intellectuals.

But recently, still under his charismatic leadership, the Khmer Rouge evolved into a lucrative organisation of bandits today controlling logging and gem mining, mostly on the border with Thailand.

Cambodia's King Norodom Sihanouk has said "the Khmer Rouge movement would disappear if Pol Pot disappears". Other analysts say some of his followers, probably numbering under 10,000, would be hard pressed to give up their activities in areas they still control.

Sri Lanka left may foil push for sell-offs



President Chandrika Kumaratunga

Sri Lanka's plans to revive its war-battered economy through an ambitious programme of privatisation could be shot down by leftwing opposition from within the ruling coalition, adding to concerns over forecasts of rising inflation and slower growth.

The government estimated a revenue of Rs21bn ($382m) from the sale of state enterprises this year, but in the first five months only Rs1bn has been realised. Defence spending has risen from Rs32bn last year to an estimated Rs38bn this year, as security forces continued to battle Tamil Tiger guerrillas in the north.

Pro-government leftist unions last week staged a four-day strike, protesting at the privatisation of an electricity distributing utility, the latest in a string of industrial actions against state sell-offs.

The power workers' strike was settled only after President Chandrika Kumaratunga said she had suspended the sale of Lanka Electricity Company (Leco) because offers received were $9m short of the expected $36m.

Labour unrest and power cuts in the past three months have affected industrial output, fuelled inflation, discouraged foreign investors and compounded the problems of increasing defence spending.

Prices rose 4.8 per cent in May, against 3 per cent in April. Industrialists say economic growth is expected to be 3-4 per cent this year, down from 5.5 per cent last year and 6.7 per cent in 1994.

Leftist members of President Kumaratunga's People's Alliance (PA) coalition say they will stick to their manifesto pledge and oppose privatisation. "We believe that public utilities, essential for day-to-day life, must function under government control," a leftist MP said.

President Kumaratunga insists privatisation will go ahead. "I am confident we can raise this money," she said.

Sale of the national airline, AirLanka, and Sri Lanka Telecom has been delayed for administrative reasons and their unions are threatening action against privatisation.

President Kumaratunga's optimism is shared by the head of the privatisation authority, Mr Rajan Asirwatham. He was hopeful of reaching the 1996 target. "We will call for bids" for 40 per cent of AirLanka and 20 per cent of Sri Lanka Telecom between August and September, he said. "We are also divesting government holdings in some enterprises already privatised."

The president says privatisation is essential for growth but that the state will not sell any venture below market value.

Government determination to realise its target prices could hold up some state disposals. However, the national budget hinges on privatisation receipts; any shortfall would compound problems, such as rising inflation.

Amal Jayasinghe

ASIA-PACIFIC NEWS DIGEST

Subpoena on Thai bank chief

The government committee in charge of the troubled Bangkok Bank of Commerce, taken over by Thai financial authorities last month, has found evidence of wrong-doing by the former president of the bank, Thai finance minister Mr Bodi Chunnananda said yesterday.

Mr Bodi said the committee would seek a subpoena to compel former bank president Krirkkiat Jalichandra, fired by the committee yesterday, to return to Thailand and answer questions about the bank's lending policy under his tenure. Mr Krirkkiat fled hours before the government took over the bank.

Mr Krirkkiat, whose family owns a majority stake in the bank, had presided over an era of high-risk lending policies including Bt77bn ($3bn) in poorly provisioned, bad or doubtful loans. The bank's borrowers, many of whom put up insufficient collateral, included a string of politicians and Mr Krirkkiat himself, according to central bank documents presented to the Thai parliament last month. Mr Bodi, named as finance minister last week, is taking a hard line to restore the credibility of Thai financial regulators, widely criticised over the bank's difficulties. *Ted Bardacke, Bangkok*

Taiwan premier risks vote

Taiwan's premier Lien Chan yesterday decided to risk a no-confidence vote by attempting to override a parliamentary resolution that halted construction of a nuclear power plant in Taipei County.

A motion to override the resolution would be sent to parliament soon, officials said; the president had asked for the public to be educated about the safety and importance of the $6.4bn plant.

Such a motion would be the first by cabinet to reverse a parliamentary vote, a right granted by the constitution. Observers said if the motion failed to get the required two-thirds majority, Mr Lien would be forced to resign, as the result would be tantamount to a no-confidence vote.

Despite the vote, cabinet awarded a $1.79bn contract to General Electric to supply design, equip and fuel part of the nuclear power project. GE will design two 1,350MW advanced boiling water reactors for the plant, the island's fourth nuclear facility. Cabinet said the project's budget had been formally approved by parliament, which could not override it.

The state-run Taiwan Power Company has spent about $210m to build 12 per cent of the project. It also owes $12.3m for civil work completed. *AFP, Taipei*

Australia jobless rate eases

Australia's unemployment rate eased to 8.5 per cent in May, after rising to 8.9 per cent in April. An estimated 34,000 jobs were added during the month, against 9,800 in April. Analysts had already concluded the unexpectedly high unemployment percentage in April was overstated and that yesterday's data were largely in line with expectations. *Nikki Tait, Sydney*

'City of future' funding ceases

The Australian federal government is to cease funding the "Multi-Functional Polis" project in South Australia. Devised in the late-1980s and early 1990s, the project aimed to create a "smart city" of the future, incorporating high-technology industries, research facilities and environmentally sensitive urban development.

Interest from some big Japanese investors failed to materialise several years ago, and the project has since limped on. Sir Llew Edwards, project chairman, said yesterday withdrawal of any future federal subsidy would shatter the project's international status; he would be seeking to meet prime minister John Howard to discuss the situation. About A$100m (US$79.85m) has been spent on the project. *Nikki Tait*

Kenya Airways gets a flying start on Nairobi stock exchange

Employees in the newly privatised carrier's share ownership plan are delighted as stocks gain 20% in the first few days of trading

By Joel Kibazo

Mr Nahashon Karanja, a 29-year-old technical assistant at Kenya Airways, could hardly suppress his new found enthusiasm for stocks as share trading in the newly privatised carrier finally started this week.

"I am looking for money to buy more shares. I think this is one of the best ways to invest and I hope my first child, when it is born, will take up the same habit," he said.

He will not have been disappointed. Since the shares started trading on Monday, they have recorded a 20 per cent gain on their issue price of Ks11.25 ($0.19) a share.

Mr Karanja, who has been with the company since 1990, and his 2,400 fellow workers are the first employees in a Kenyan company to be part of an employee share ownership plan.

Under the terms of the country's biggest and most successful privatisation, the government retained a 23 per cent holding in Kenya Airways but sold 40 per cent to overseas investors, and 34 per cent to the Kenyan public. The remaining 3 per cent has been set aside for employees, partly as a reward for helping effect a turnaround in the airline's fortunes from losses of $50m in 1992 to profits expected to exceed $22m this year.

Citibank, lead advisers to Kenya Airways during the flotation, said: "We needed to structure the scheme under Kenya's tax laws and most importantly reduce the tax burden on the employees receiving the shares. Even an interest-free loan would have attracted some tax."

The answer was to create Kenya's first unit trust. Thus employees do not own shares in Kenya Airways directly but each worker has been given 1,000 units, each unit corresponding to one share, on condition they purchase another 1,000 units, which they can pay for over five years.

The trust receives the dividend income on shares, which is subject to tax at about 7.5 per cent. Payments made to the employees by the trustees are not taxed.

"We believe this is a structure that will work under current regulations here in Kenya and, who knows, it may even become a model for others to follow," the bank said. However, the route to the share ownership scheme's launch was far from straightforward and the company and its advisers were forced to issue the Esop proposals without clarification on the tax position for employees.

Bankers blame sections of the government for wanting to tax employees on the returns earned through share options but this was denied by Mr George Mitine, head of the government's privatisation unit. "The plan for Kenya Airways to start an employee share ownership scheme was approved by the minister of finance and all senior officials. However, there were some bureaucrats who did not understand that this had been agreed upon."

Surprisingly, given that this is the Nairobi stock exchange's biggest issue and is expected to increase the capitalisation of the local market by about 6 per cent, Kenya Airways' shares have yet to be included in the local index which comprises 20 companies.

Mr Paul Melly, chief executive of the capital markets authority in Nairobi, said companies usually had to wait a year before they could be included in the index. However, he said given the impact the shares had already had on the market, "Kenya Airways shares may not have to wait for a year before they are in the index. The Nairobi stock exchange is considering the matter."

US financial short termism finds favour

By Stefan Wagstyl, Industrial Editor, in London

The much-criticised American pursuit of short-term financial performance actually makes US companies use their capital far more productively than their German and Japanese rivals, according to a study published today.

The finding by McKinsey, the management consultancy, flies in the face of the common belief that financial short-termism undermines economic performance.

"The high levels of productivity attained in most US industries does not square with the conventional wisdom that the US capital market undermines economic performance by forcing firms to be too focused on short-term results," says the report, which could have significant implications for economic policymakers.

The authors say that competitive open markets also help ensure that American managers use their resources more productively than their counterparts in Germany and Japan.

The report found that capital productivity – the amount produced for every unit of capital – was significantly greater in the US than in Germany or Japan. This performance helped to improve the total productivity of the US, since labour productivity in America is also higher than in Germany and Japan.

The higher capital productivity in the US creates bigger financial returns on investments which compensates for the fact that Americans save less of their income than Japanese or Germans. So they both accumulate more wealth and consume more at the same time.

McKinsey says that even though German and Japanese factories are well-endowed with capital they do not squeeze as much out of it as American plants. In 1990-93, Germany's capital per capita was 13 per cent higher than in the US and Japan's was 22 per cent higher. But capital productivity was 35 per cent lower in Germany and 37 per cent lower in Japan.

The report says although markets in both Germany and Japan are constrained by economic regulations, these rules are not the only significant barrier to improving productivity. German and Japanese managers could do better even in their current business environments by paying more attention to productivity – including improving manufacturing quality and marketing, says the report. For example, in Germany companies waste money "over-engineering" and "gold-plating" products – such as Deutsche Telekom, the telecommunications utility, demanding that telephone cables should be strong enough to be tank-proof.

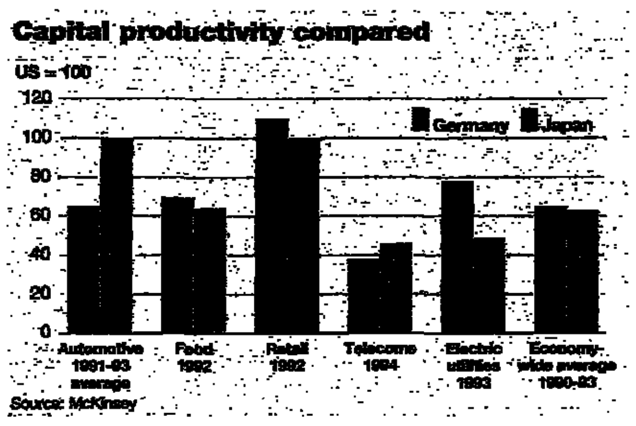
American managers cannot afford such luxuries because the capital market "gives managers a clear primary objective – financial performance – that generally guides them to use their resources productively."

The report also tackles what it calls a paradox of the US economy – the fact that American wealth generation is high even though net savings are low, as commentators often bemoan. McKinsey says that the commonly-quoted net savings figures, which show Germans and Japanese save much more of their income than Americans, are misleading.

The net savings rate is calculated after taking account of depreciation of old assets. But the US, which was already a rich country in 1970, has much bigger old assets, so its depreciation rate is high. On a gross basis, the US savings rate is 24.7 per cent of GDP, compared with 30.7 per cent for Germany and 35.8 per cent for Japan. While these differences are significant, they are less than half the differences for net savings.

Capital Productivity, McKinsey Global Institute, Washington DC, US.

Capital productivity compared



Donors cut off assistance after Kaunda is barred from election

West halts aid to 'undemocratic' Zambia

By Michael Holman, Africa Editor, in London

Western donors have suspended aid to Zambia in protest over a constitutional amendment which prevents former president Kenneth Kaunda from standing in elections due later this year.

Aid flows of up to $1bn a year have been central to the economic reform programme introduced by President Frederick Chiluba when he came to power in 1991, defeating Mr Kaunda in the country's first multi-party election for more than 20 years.

Norway froze its aid programme worth up to $40m a year earlier this week, followed by the US, while Britain, Sweden and other leading donor governments are expected to follow suit.

"The situation in Zambia is very sad. We are particularly concerned, with other donors, about the recent measures to restrain the eligibility of candidates for the presidency," Britain's Overseas Development Minister Mrs Lynda Chalker said in the Zimbabwean capital of Harare on Wednesday night.

Britain has so far withheld half of a $20m balance of payments support for violations of good governance.

Donors have become increasingly concerned by growing corruption, delays in the privatisation of the state-owned Zambia Consolidated Copper Mines (ZCCM), and what they see as the autocratic style of Mr Chiluba.

Most observers are sceptical about Mr Kaunda's election prospects for his years in office were marked by a steady decline in the state-dominated economy.

But the ruling Movement for a Multiparty Democracy (MMD) has tried a combination of harassment and legal measures to prevent Mr Kaunda from running for office in elections due to be held in October.

The recently introduced constitutional amendment bars second-generation Zambians and ex-presidents who ruled for at least two terms from running for president.

Mr Kaunda is excluded on both counts, because he was born in Zambia of Malawian parents, and led Zambia from independence in 1964 until his overwhelming defeat by Mr Chiluba.

Donors have called for a referendum or constituent assembly of all parties and interest groups to ratify the changes.

A freeze or reduction of aid will be a severe blow to the already struggling economy. Production of copper, which accounts for more than 95 per cent of export earnings, has been steadily falling, only partially compensated by a rise in world prices.

Most industry analysts believe that only privatisation of the mines, nationalised by Mr Kaunda in the early 1970s, can revive production.

Yesterday, Mr Chiluba appealed to donors to maintain aid. "This new constitution is the will of the Zambian people. It is what they wanted and all I did was concede to their wishes," he said.

Nine opposition politicians, including senior Kaunda aides, were charged on Tuesday with treason and plotting to overthrow the government.

"Chiluba is not a democrat at all. He is bending the rules to suit himself and his party. He is creating ground for unrest in this country because Zambians will neither accept nor respect his illegal constitution," Mr Kaunda said.

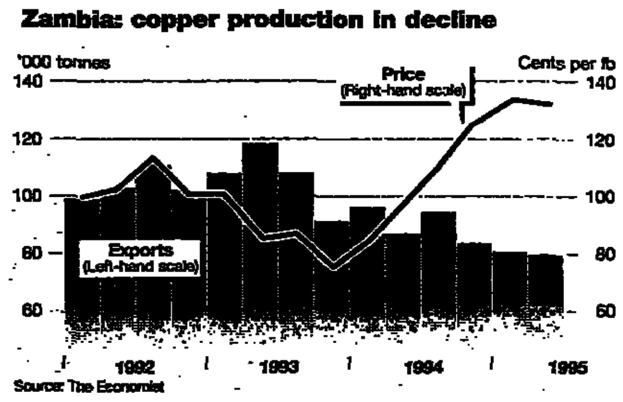
The arrested members of the former president's United National Independence party are also accused of masterminding a shadowy group called "Black Mamba", which the government blames for recent bomb blasts.

Mr Kaunda said: "This thing is Chiluba's creation. It was created by his police and security forces to discredit us, to undermine us and democracy... but the people and donors have seen through his dirty and cheap trick."

Chiluba: Aid flows of up to $1bn a year have been central to his economic reform programme

Kaunda: excluded

Zambia: copper production in decline



> 'Donors have become increasingly concerned by growing corruption, delays in the privatisation of the state-owned Zambia Consolidated Copper Mines, and what they see as the autocratic style of Mr Chiluba'

Rebuilding houses – but not trust – in south Lebanon

Roula Khalaf visits villages with the bombardment by Israel behind them and who knows what before them

In the centre of Qulaileh, a small town in south Lebanon nestled among the orange groves, nothing remains of the house where three brothers from the Islamic Hizbollah militia lived. The nearby three-storey house of Mr Qasem Saleh was also reduced to rubble during the 17 days of Israeli raids in April aimed at destroying Hizbollah.

All Mr Saleh can think of today is how to rebuild and where to find the money. The Lebanese government, which started paying housing compensation last week, has given him $6,000.

"I need at least double that amount," he said. "So I will have to build one floor at a time and work to save for the rest."

Across towns in south Lebanon hit by the Israeli bombardments there is a fear that hostilities will be rekindled, especially now that a hardline Likud-led government has been voted into power in Israel. They have no say in whether or when Israel and Hizbollah might decide to break the ceasefire agreement that ended the latest war.

As these things are beyond their control, people have turned their attention to the more immediate task of rebuilding a roof over their heads, as they have done many times before, and getting on with their daily lives.

"We know that as long as Israel occupies our land there will be no peace here," said Mr Ali Abu Khalil, Qulaileh's mayor, referring to Israel's self-proclaimed security zone in south Lebanon. "Where do we live in the meantime, in tents?"

Barely a month after the end of Israel's Grapes of Wrath operation, thanks to efforts by the Lebanese government, Hizbollah and the United Nations Interim Force in Lebanon, the holes in the roads made by Israeli bombs have been filled and the construction workers are back in business. Within a mere 72 hours of the ceasefire agreement that ended the offensive, the government had repaired the area's electricity network.

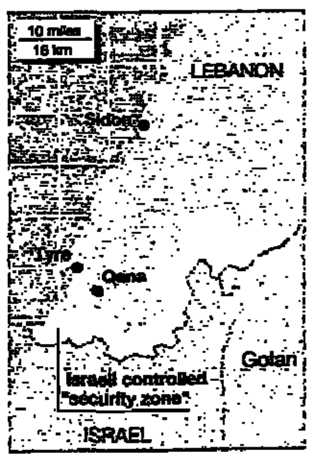
"We are so used to this, they destroy and we rebuild," said Mr Mohamed Zhanni. Like hundreds of his fellow Lebanese, Mr Zhanni is spending his mornings at the Council for the South – the government body created in the 1970s to develop infrastructure in the economically deprived area – to appeal against the compensation he has received. "My house will cost me L£30m [$19,000] to rebuild and all the government is giving me is L£6m," he says.

> It is a region that has paid a high price in human and physical loss over the past 20 years and has long felt neglected by Beirut

After the Israeli offensive, the Lebanese government dispatched an army unit to the south to assess damage to homes, businesses and crops.

After estimating the total cost for private housing alone at $21m, the Council for the South was asked last week to begin disbursing funds. But, in an effort to prevent southerners from taking the money and running off to rebuild elsewhere, the government has decided to release a little bit at a time, forcing people to rebuild in stages.

In a region that has paid a high price in human and physical loss over the past 20 years and long felt neglected by the authorities in Beirut, this scheme is winning the government few friends. Instead, it will help boost Hizbollah's profile, already inflated by the resistance it puts up to Israeli occupation.



While army officers surveyed the damage last month, Construction Jihad, Hizbollah's construction company, was already hard at work, fixing doors, windows and walls with funds received from Iran. To those whose houses were more heavily damaged, Construction Jihad doled out immediate cash, close to the amounts people are now receiving from the government.

Since the end of Lebanon's civil war, the mostly Shia south has been a main recipient of foreign funds flowing into Lebanon. With fortunes accumulated in Africa, rich southerners built flashy summer villas and generated a construction boom.

But much of the south – which accounts for 20 per cent of Lebanon's estimated 3m to 4m people – is populated by farmers who have been displaced several times.

The contradictions of Lebanon's south, its vulnerability and its resilience, its wealth and at the same time its deprivation are perhaps most apparent today in Qana, the site of the massacre of more than 100 people who sought refuge at a United Nations base during the April offensive.

Standing before the graves of the victims just outside the base, surrounded by the black banners of Hizbollah, Mrs Zeinab Khalil Bakri, her head covered with a white scarf, has come to mourn her sister-in-law and four nephews. She opens her handbag to show an empty purse as proof that she cannot afford to travel the few kilometres to the southern city of Tyre to complain about the inadequacy of the compensation she received for house repairs.

Across the street, Nadia (who refuses to give her family name), with bleached blond hair and heavy make-up, is serving customers coffee from an espresso machine. With money her family earned in Zaire, Nadia decided after the massacre to go ahead with plans to open a cafe to cater to the UN base. A wise business decision as it turned out. Every weekend, her cafe is packed with the crowds who drive down to the south to pay tribute to the victims of Qana.

Interest rates down by ¼ point to 5¾%

By Robert Chote and Gillian Tett

Mr Kenneth Clarke, chancellor of the exchequer, yesterday announced an unexpected quarter-point cut in interest rates amid fears about the impact of the strong pound on Britain's struggling manufacturers.

The reduction was the fourth in seven months and took bank base rates from 6 to 5¾ per cent, their lowest level for a year and a half. Halifax Building Society and the Bradford & Bingley society cut their mortgage rates, but most lenders left home loan rates unchanged.

With economic growth already expected to accelerate later this year, some City economists argued that the rate cut must have been motivated by political considerations. But the chancellor dismissed as "nonsense" the idea that he was preparing the ground for an autumn general election.

Mr Clarke said the cut was sensible because pressures on industry's costs were easing and the economy was growing at less than its long-term trend rate. He noted that raw material costs had fallen since the autumn and that pay settlements had declined last month.

"Recent surveys of companies, and the increase in the exchange rate, suggest that cost pressures are likely to remain subdued." He added that he remained on course to hit his inflation target of 2.5 per cent or below.

The "six wise people" who provide the chancellor with independent advice on the economy also argued in a report yesterday that activity in the economy was about 2 per cent below that consistent with stable inflation. As a result most of them believe the economy could grow by 3 per cent or more a year over the next three to five years without pushing inflation up.

The Bank of England refused to say whether Mr Eddie George, the governor, had agreed with the chancellor's decision to cut rates. The unusually long meeting between the two to discuss rates on Wednesday raised suspicions of a disagreement, but most economists argued that Mr George was unlikely to have put up a big fight.

"The situation at present is sufficiently ambiguous for the chancellor to have pressed successfully for a rate cut without this causing too much alarm with the governor," said Mr David Walton, economist at Goldman Sachs. "As signs of strengthening consumer demand become more evident in coming months, the Bank will be increasingly reluctant to support further easing."

Consumer spending on services is already growing strongly, but growth in the economy as a whole has been kept below trend by stagnant manufacturing. Factory output has fallen for two quarters running, with companies reporting that stocks of unsold goods are still at a five-year high.

Ms Kate Barker, chief economist at the Confederation of British Industry, said the cut was justified as the CBI had become more alarmed by the slowdown in manufacturing in recent weeks. She is no longer confident that European export markets will pick up in the second half of the year and fears that the slowdown could prompt job-shedding.

"In this context the recent strength of sterling has emerged as the factor which tipped the balance in favour of this small adjustment," Ms Barker said. The pound has risen by about 4 per cent since the turn of the year, making British goods less competitive in world markets. The pound fell by 0.3 points to 86.1 per cent of its 1990 value.

Lex, Page 14

'Punishment' by baseball bat replaces gun rule in N Ireland

By John Murray Brown in Dublin

The main message from Northern Ireland in the past 18 months has been one of peace. But behind political efforts to banish gun law from the region a variety of other weapons including cudgels, baseball bats and even electric drills is being put to brutal use by paramilitaries on both sides of the religious divide.

As the region prepares for the start on Monday of all-party talks about its future, the controversy over paramilitary "punishment beatings" has been overshadowed by the bigger issue of the Irish Republican Army's refusal to reinstate its ceasefire. The British and Irish governments insist that reinstatement is an essential requirement if Sinn Féin, the IRA's political wing, is to join the talks.

Since the IRA declared a resumption of hostilities in February, with a bomb in London's docklands, there have been no armed incidents in Northern Ireland. The anti-nationalist "loyalist" groups have kept to their ceasefire throughout.

But community workers say a continuing dispute over the role of the police in republican and "loyalist" areas has created a vacuum of authority which the paramilitaries are exploiting. Many Roman Catholics and Protestants give tacit acquiescence to the instant justice dealt out by terrorists.

The police report a total of 380 so-called punishment beatings, including 240 in republican areas, between September 1994, when the IRA called its ceasefire, and June 4 this year.

Republican violence tends to be targeted at those in the nationalist community involved in so-called "anti-social behaviour", which includes joy-riding, drug dealing or theft. In Protestant "loyalist" areas the paramilitaries use beatings to discipline their own ranks. "There is no doubt that some communities believe that punishment beatings are an acceptable way to deal with adolescent crime, horrific as that may sound," says Mrs Breidge Gadd, Northern Ireland's chief probation officer.

"Many people who may have reservations about involving the paramilitaries nonetheless have given some sort of consent to their policing role," says Professor John Brewer, professor of sociology at Queen's University in Belfast, who has just concluded a 6-month research project on attitudes to crime in republican and "loyalist" areas. The Royal Ulster Constabulary, the Northern Ireland police force, has found it hard to win acceptance as community police officers in hardline housing estates where they formerly led the counter-terrorist effort.

"The police have done a lot of talking to their fans, but have had little contact with their critics," says a local Roman Catholic businessman.

The lack of policing is worsened by a conviction that the criminal justice system is slow. "If you've had your video stolen, there's far more chance of recovering it if you go to the paramilitaries than if you wait for the courts to take their course," says a shopkeeper on the nationalist Falls Road in west Belfast.

Many residents in nationalist areas are reluctant to co-operate with the police, says Ms Pauline McLaughlin of Families Against Intimidation and Terror, a non-government organisation which is one of the few voices within the community openly critical of the paramilitaries.

The police claim they know the identities of those involved in the beatings, but there is little they can do as people are rarely willing to name their attackers. Attacks are frequently preceded by warnings to leave the area. Base Two, an offshoot of the Northern Ireland Agency for the Care and Rehabilitation of Offenders, offers to help people find alternative accommodation.

Sinn Féin, the IRA's political wing, and both of the small parties linked to anti-nationalist political groups, have refused to condemn the incidents. But Prof Brewer believes the community's support for the punishment beatings underlines republican claims that there needs to be policing reform. They may also provide an occupation for paramilitaries, who since the ceasefire have been "kicking their heels," he says.

A 1992 Helsinki Watch report – before the ceasefires – concluded that the paramilitaries and the government "must share the blame – the paramilitaries for carrying out these abuses, and the government for its *de facto* delegation of authority to the paramilitary groups."

A nationalist wall painting in the early 90s: paramilitaries of both camps usually now use weapons other than guns

Calendar of brutality

Jan 12 Ballynahinch Man of 27 found suffering from serious head injuries with one leg and both arms broken; Londonderry Three men enter house and beat 20-year-old man with baseball bats.

Feb 1 Coleraine Five masked men attack husband and wife in their home with baseball bats and hammer.

Feb 5 Belfast Man of 18 beaten by gang with iron bars; Londonderry Man of 22 hit with clubs by masked men who broke into house.

Feb 24 Belfast Man of 20 suffers multiple fractures in attack by four men with crowbar and heavy hammers; 18-year-old attacked by eight or more masked men in family home while his mother was held captive; man of 18 found gagged with adhesive tape and tied to a washing line pole.

Mar 8 Belfast Man of 25 left with broken arm and leg after attack with hammers by masked men in bar.

Mar 21 Belfast Four men beaten in apartment. Each man taken to a separate room, bound, questioned and beaten.

Mar 28 Belfast A teenager with spikes driven into his arms and legs suffered some of the worst injuries ever seen in a punishment attack, said surgeon treating him. He was handcuffed in a garden and had his mouth taped to stifle his screams.

Mar 30 Belfast Man shot after being abducted from club.

April 8 Belfast Two teenagers tied to lamp posts, beaten and covered in paint; elsewhere a 17-year-old was found tied up with both legs and wrists broken; a 16-year-old with both hands injured was bound to a post a short distance away.

May 17 Londonderry Gang with baseball bats beat man of 23 after breaking into his home.

May 27 Londonderry Two youths are made to watch an 18-year-old being beaten by at least seven men with iron bars; Craigavon Four masked men carrying baseball bats studded with nails break into home of a 22-year-old man and leave him with broken arm and rib.

UK NEWS DIGEST

International calls to be cheaper

The government yesterday stripped the last vestiges of monopoly power from British Telecommunications and Mercury Communications, the "duopoly" of UK-owned telecoms operators which controlled the domestic telephone business between 1984 and 1991. It announced the end of restrictions which prevent competing operators from owning and operating their own circuits for international calls. At present, a rival operator must either lease international circuits from BT or Mercury or pay an agreed rate for each call carried.

The end of the duopoly will mean sharp falls in the cost of international calls. Rivals to BT and Mercury will have the right to construct and use their own infrastructure including subsea cables and satellites and conclude their own contracts with operators abroad. *Alan Cane, Industrial Staff*

Peugeot workers protest

Car workers at the Coventry plant of Peugeot, the French motor group, staged two two-hour strikes last night and this morning against the company's decision to close its UK operations during August to synchronise with its French business, which traditionally takes all that month in holiday. The workers voted by 1,007 to 489 for industrial action in a secret ballot. Peugeot said it was imposing the shutdown on its UK employees and that they had been moving towards a complete closure in August by stages over the past five years. *Robert Taylor, Employment Editor*

Railfreight goes on sale

Railfreight Distribution, the state rail network's last remaining freight business, is to be sold to the private sector with the promise that several hundred millions of pounds of debt will be written off to smooth the sale. The company, which runs long-distance freight trains from Britain through the Channel tunnel to Italy, Spain, France and Germany, may also receive an additional dowry in the form of a government commitment to pay its access charges to use the Channel tunnel.

These concessions are expected to prompt strong criticism from opposition parties in Britain which have claimed that other parts of the network have been sold too cheaply. RfD is heavily lossmaking, but after considering the possibility of closing it, the government yesterday announced plans to put it up for sale with the help of considerable "sweeteners." It expects to complete the sale by early 1997 at the latest. The company is making a cash loss of £1m ($1.54m) a week before interest charges, a figure almost equal to its turnover of £60m a year. *Charles Batchelor, Transport Correspondent*

Price curbs on gas

Ofgas, the gas industry regulator, unveiled new price controls for British Gas's supply business that should cut household gas bills by a further £8 ($12.20) next year. The pricing review of British Gas Energy, the arm which supplies gas to 18.5m households, followed last month's controversial review of Transco, the pipeline business. That review proposed even larger cuts in gas bills and prompted a big slide in British Gas' share price. The latest Ofgas proposals mean a further shift in the balance of power between British Gas shareholders and its customers in favour of the latter. If both sets of proposals are implemented following a consultation period, the average household bill will fall next year by £38 a year, or about 12 per cent. Ofgas said gas bills would be down by an average of £60 a year by the end of the decade. British Gas described the new price controls as a "further and immediate squeeze on profits". *Patrick Harverson, London*

Lex, Page 14

Showa to invest in Wales

Showa Corporation, one of Japan's largest manufacturers of automotive components, is to set up a £10m ($15.4m) plant in south Wales to produce parts for European carmakers. It is the 50th Japanese company to set up manufacturing or service operations in Wales. Mr David Rowe-Beddoe, chairman of the Welsh Development Agency, described it as "a milestone in a spectacular success story for Wales." The project, grant-aided by the British government's Welsh Office, will create 200 jobs in Cynon Valley, an area of high male unemployment. Showa is negotiating to buy a 4ha site from the WDA where the plant will make power steering and suspension system components.

It will be Showa's first European plant to manufacture car parts, although it has a factory in Spain which produces shock absorbers for motor cycles. Spain and the West Midlands were considered as possible locations for the new facility. About 16,000 people in Wales work for Japanese-owned companies. Mr Barry Hartop, the WDA's chief executive, said: "Wales now accommodates nearly 16 per cent of all Japanese manufacturing and assembly operations in Britain." *Roland Adburgham, Cardiff*

Kvaerner claim denied

VAI Industries, the Austrian civil engineering company, yesterday denied claims by Kvaerner that it was involved in the alleged theft of thousands of documents from one of the Norwegian group's UK subsidiaries. Kvaerner, which earlier this year paid £904m ($1.4bn) for Trafalgar House, claims that VAI illegally obtained confidential technical and contractual information from Davy International, Trafalgar's metals engineering arm. VAI made clear that it would fight the legal action vigorously. The company said there was no basis for claims of industrial espionage. *Tim Burt, Financial Staff*

Car sales recover

Private buyers returned to car showrooms in significant numbers during May for the first time in more than a year. The influx boosted the morale of carmakers fearful that a preference for "nearly-new" cars shown by many consumers might prove to be permanent. Figures from the Society of Motor Manufacturers and Traders showed that the number of new cars registered to private buyers last month rose by 13.5 per cent compared to May last year. These private registrations accounted for 44 per cent of last month's total market of 165,685 new cars, itself an 8.5 per cent rise on the 152,656 registered last May. In contrast, the volume of cars registered last month to fleets and businesses rose by only 5 per cent year on year. *John Griffiths, Industrial Staff*

US company to open plant

Harman International Industries of the US is to invest £3m ($4.6m) in a plant at Redruth in the far south-west of England for manufacturing professional loudspeakers. The project, which will receive nearly £1m in government grant, will create 125 jobs and occupy a vacant factory. Harman already has a manufacturing operation in south-west England, where its subsidiary Allen & Heath makes sound-mixing consoles. Competition for the new plant came from other parts of the UK, and from Madeira and Poland. *Roland Adburgham*

Reduced global role predicted for Britain

By Robert Peston, Political Editor

The UK will be ousted from the seven biggest world economies in the next 20 years and its weight in international organisations reduced, according to a leaked Treasury document.

The pessimistic prediction comes ahead of next week's publication of a UK government competitiveness paper which will highlight the skills gap between the UK and competitor economies.

The Treasury paper, drawn up by officials to help the most powerful government department remodel itself for the next millennium, says that "if recent growth trends continue" China would become the "single largest nation" in 2015.

It predicts India in fourth place, Brazil sixth and Indonesia seventh. While the US, Japan and Germany would remain in the top seven, France, the UK and Italy would slip into the second division.

The Treasury papers says that the UK's role in international organisations – the G7, the International Monetary Fund, the OECD, the EBRD and World Trade Organisation – will "change as we move down the ranking".

The fast growing economies will demand "greater political power" in these organisations. A senior official said that Mr Kenneth Clarke, chancellor of the exchequer, was already a convert to this idea in the face of resistance from finance ministers of other G7 countries. "He has been pressing for these growing countries to have a political role", the official said.

Optimism grows on 'mad cow' deal

Financial Times Reporters

Mr John Major, the British prime minister, said yesterday Britain hoped to reach a deal with the European Union over the beef export ban within the next 10 days, allowing a lifting of the non-cooperation policy before the EU summit in Florence on June 20.

Mr Major's determination is shared by Italy, which in its capacity as acting president of the EU wants to head off the threat of the Florence summit being ruined by the row.

British and Italian officials recognise they have set a tight timetable. But Mr Malcolm Rifkind, the British foreign secretary, and Mr Douglas Hogg, the agriculture minister, left Rome yesterday hopeful that a crucial "turning point" had been reached in the "mad cow" affair. The breakthrough came on Wednesday during talks in Rome with Mr Lamberto Dini, the Italian foreign minister.

In Paris Mr Rifkind said he was also "very encouraged" by President Jacques Chirac's support "for a staged solution to the crisis". Aides of Mr Major said in London that there was a "realistic" prospect of a deal at a meeting of EU foreign ministers on June 17. The UK might be prepared to accept a framework agreement for a step-by-step lifting of the beef ban without demanding that the detail of implementation is agreed at the same time.

One senior British official admitted there might only be a "vague" understanding on how the total ban might eventually be lifted.

However, there are tensions in the British government over how much detail the framework should contain. Mr Rifkind is pressing for a deal in which EU countries agree the measures Britain must take to trigger an automatic lifting of elements of the ban.

"The UK wants as much detail as partners will sign up to. The more it can get the less likelihood there is of it unravelling afterwards," said a London-based UK official. But officials also acknowledged Britain might have to accept less detail than it wants. And in Brussels officials said the deadline would never be met if Britain insisted on details. One said a deal was "likely if it is more political than technical. That way it can be wrapped up and Mr Major can say he has his framework."

Mr Rifkind has presented EU leaders with a four-page document listing 10 areas on which Britain wants to concentrate for the phased lifting of the ban. These include the right to export embryos, very young calves, beef from specialist herds reared on grass and beef from cattle under 30 months. Britain also wants the right to export to third countries which have no re-export rights to the UK and, later, to export to all third countries "under special conditions".

However, Britain's non-cooperation policy could still scupper attempts to secure a framework. British and Commission officials met yesterday to discuss the framework, but Mr Jacques Santer, Commission president, could face pressure from commissioners next week to stop working with the UK if Britain's policy of non-cooperation continues.

EU officials said Mr Santer could "only be pleased" by Britain's decision not to block an agreement between the EU and Slovenia. "But obviously a one-off-step in not enough."

Jacques Chirac (right) discussed the beef crisis yesterday in Paris with UK foreign secretary Malcolm Rifkind

US regulators attack 'scare' campaign

By Ralph Atkins, Insurance Correspondent

US difficulties faced by Lloyd's of London worsened significantly yesterday when it was forced into a row with state securities regulators.

Lloyd's was forced onto the defence when the regulators bitterly attacked the insurance market for "working overtime" to "scare everyone" about the consequences of legal action against Lloyd's over alleged breaches of state securities laws.

The dispute is likely to heighten concern that the Lloyd's recovery plan, due to be implemented this summer, could yet be undermined by legal action that froze Lloyd's assets held in the US.

Securities regulators in 11 states have filed actions against Lloyd's, usually alleging that investment in Lloyd's was mis-sold, although one action in California has been dismissed.

LLOYD'S
LLOYD'S OF LONDON

The North American Securities Administrators Association, representing the securities regulators, accused Lloyd's of spreading "myths" about its importance within the insurance industry. Citing a report by a California insurance expert, Mr Mark Griffin, president-elected of Nasaa, said: "Lloyd's is far less of a pillar than it pretends to be".

According to the study, freezing Lloyd's assets held in US bank accounts and the funds of 2,000 US Names would "have absolutely no effect upon the payment of claims to... anyone insured or reinsured by a Lloyd's policy anywhere in the world."

Lloyd's reacted angrily, saying that issuing the "highly distorted" report "appears to be a purely political attempt to indulge the interests of a small minority of Names in the US who are attempting to avoid meeting their obligations".

A Nasaa spokesman said the attack was an attempt to counter the public relations efforts expended by Lloyd's. "It is a popgun against their artillery," he said.

The attack does not affect a deal agreed in April under which the association would recommend that talks should be continue between Lloyd's and US Names about the market's recovery plan. This includes an out-of-court offer to lossmaking Names.

Ikea chief's offshoot buys high-technology consultancy

By Peter Marsh in London

One of Britain's best known high-technology consultancies has been bought by an investment group controlled by Mr Ingvar Kamprad, the reclusive Swedish entrepreneur whose Ikea furniture shops are among the world's biggest retailing success stories.

Mr Kamprad, whose personal wealth is estimated at between $1bn and $2bn, intends to use Cambridge-based Generics as a vehicle to spawn technology-based companies around Europe. InterIkea, a foundation controlled by Mr Kamprad which owns the Ikea franchise and trademark, is to make available to Generics about £5m ($7.6m) over the next five years to invest in new enterprises in areas such as telecommunications and biotechnology.

With top-up finance from other investment groups it is thought the cash could help provide start-up funds for up to 50 businesses, building on Generics' track record in helping establish such companies. Most of the businesses are likely to be in the UK, with some in other parts of Europe including the former Soviet bloc.

The deal marks an attempt by Mr Kamprad, who rarely appears in public and has the reputation of a management guru, to channel some of his wealth into new enterprises which he believes will employ substantial numbers in the next century. The venture marks a new twist in the career of Generics' chairman Mr Gordon Edge, who set up the company in 1986 after starting the technology consulting division of PA Management Consultants. Mr Edge will retain his role in Generics, which

employs about 200 people and has annual income of about £15m, 80 per cent of it from outside the UK. Companies for which it does long-term research include Glaxo Wellcome, Zeneca, Volvo, Nissan, Fuji and the Japanese bank Sanwa.

Mr Edge said the venture provided an "amazing opportunity" for aiding investments in new technologies including telecommunications, new materials and biotechnology.

The purchase of Generics has been conducted through Catella, a Stockholm-based financial management group wholly owned by InterIkea.

Under the deal, Catella has paid an undisclosed sum, put at "several million pounds", for a 66 per cent stake in Generics, leaving Mr Edge with a shareholding of 25 per cent and the rest owned largely by employees.

Mr Gunnar Rylander, chief executive of Catella, said Generics was "tomorrow's company in tomorrow's industry". He said that both through taking a controlling stake in Generics and providing cash for high-tech start-ups in a programme to be managed by Generics, InterIkea believed it was doing "something positive" with its money.

Mr Rylander said the deal was a vote of confidence in Mr Edge who he described as a "unique person who combines being a [scientific] professional and a businessman."

Ikea has more than 120 stores in 26 countries. Mr Kamprad set up the chain in the 1940s and retains a key role.

BUSINESSES FOR SALE

E.T.B.A. FINANCE

Financial and Economic Services S.A. (formerly Greek Exports S.A.)

ANNOUNCEMENT

OF A FOURTH INTERNATIONAL PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF THE FOLLOWING COMPANIES:

1. PIRAIKI-PATRAIKI PATRAS SPINNING & WEAVING MILLS S.A.
2. PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.
3. PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A.

ETBA FINANCE Financial & Economic Services S.A., established in Athens at 1 Eratosthenous Street, in its capacity as special liquidator, [illegible]

ANNOUNCES

[illegible]

ACTIVITY AND BRIEF DESCRIPTION OF EACH COMPANY

[illegible]

TERMS OF THE ANNOUNCEMENT

[illegible]

The present announcement was drafted in Greek and translated into English. In any event, however, the Greek text shall prevail.

For any further information on the company for sale, interested buyers may apply to the offices of the liquidating company ETBA FINANCE Financial and Economic Services S.A. at 1 Eratosthenous Street, 4th Floor, Athens, Greece, tel: (301) 726.0210, 726.0278 and 726.0506. Fax: (301) 726.0864.

E.T.B.A. FINANCE

Financial and Economic Services S.A.
(former Greek Exports S.A.)

ANNOUNCEMENT

OF A FIRST REPEAT INTERNATIONAL PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE TOTAL ASSETS OF INTERNATIONAL TOURIST INVESTMENTS S.A. NOW UNDER SPECIAL LIQUIDATION

ETBA FINANCE S.A., established in Athens at 1 Eratosthenous & Vas. Constantinou Streets, in its capacity as special liquidator, in accordance with Decision No. 743/1996 of the Athens Court of Appeal, of INTERNATIONAL TOURIST INVESTMENTS S.A. *under special liquidation within the framework of article 46a of Law 1892/90*, and following instructions dated 27/5/1996 from ETBA S.A., the creditor as per para.1 of article 46a of Law 1892/1990

ANNOUNCES

a first repeat international public auction for the highest bidder with sealed, binding offers for the sale of the whole assets of INTERNATIONAL TOURIST INVESTMENTS S.A. (IPPOKRATOUS MELATHRON Hotel) established in Athens.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

INTERNATIONAL TOURIST INVESTMENTS S.A. today owns and operates the Hippocratous Melathron hotel group (A' Class) in the Psalidi area of Cos island on a plot of land with total area of 71,440 sq.metres which includes an entrance hall, reception, lounge, restaurant, taverna, discotheque, indoor and outdoor swimming pools, night club, tennis court, etc. Near the above hotel an independent building "B" has been erected which *was intended to house a Preventive Medicine Centre. Because the relative permit was not* issued by the authorities, this building was converted to guest accommodation. It consists of two units: the "Maisonettes" which contains ten maisonettes and 26 beds and the "Pavilion" which contains 18 guest bedrooms. According to special warrant No. 534549/95 for the operation of the hotel, its capacity is 170 rooms with 315 beds. An on-the-spot inventory, however, lists 422 beds in 201 rooms (as a result of the conversion of building 'B', etc.). From 1984, the company under liquidation had begun building a new 444-bed luxury hotel unit (on part of the plot of land upon which the Ippocratous Melathron hotel has been built). This is a three story building on ten levels. Construction work was suspended and so far, all that has been erected is part of the reinforced concrete skeleton totalling 3,671 sq.m. in area (against a planned total of 13,582.78 sq.m) The *company also owns a plot of land totalling 30,330 sq.m. in the area of the Kardameni* community on the island of Cos. A full analysis of the assets of the company under liquidation is contained in the Offering Memorandum.

TERMS OF THE ANNOUNCEMENT

1. The auction will be carried out in accordance with the provisions of article 46a of Law 1892/1990 complemented by article 14 of Law 2000/1991 as today in force; the terms contained in the present Announcement and the terms contained in the Offering Memorandum, *regardless of whether they are repeated or not in the Announcement.* The submission of a binding offer implies acceptance of all these terms.
2. Interested parties may obtain the detailed Offering Memorandum and any other information after signing a confidentiality agreement.
3. In order to participate in the auction, interested parties are invited to submit a sealed, binding offer to the Athens Notary Public assigned to the auction Mrs Panayota Alexandrou Grigoropoulou-Yannopoulou, 34 Panepistimiou Street, 2nd floor, offices 3, 4 and 5, tel. +30-1-364.5173,363.2582 (also fax) up to 12.00 noon on Wednesday 3 July 1996.
4. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the time limit will not be accepted or considered. Offers must not contain terms *upon the which their bindingess may depend or which may be vague* with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale. The liquidator and the creditors have the right, at their incontrovertible discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than others, or ignore such terms and exceptions, in which case the offer remains binding as far as the rest of its content is concerned.
5. On penalty of invalidity, offers must be accompanied by a letter of guarantee from a first class bank legally operating in Greece, valid until its return (as per specimen contained in the Offering Memorandum) to the amount of a hundred and twenty million drachmas (120,000,000).
6. The offers will be opened by of the above-mentioned notary in her office at 14:00 hours on Wednesday 3 July 1996. Persons having submitted offers within the time limit are entitled to attend.
7. In the event that payment is to be on credit, the current value will be taken into account and will be calculated at a fixed rate of interest for all offers, this being the rate in force, at the time of submission of the offer, for interest-bearing Greek State bonds of a year's duration, with annual compound interest.
8. The highest bidder is the one whose offer will be evaluated by the liquidator and judged by the creditor ETBA S.A., following the proposal of the liquidator, as being the most satisfactory for the creditors of the company under liquidation.
9. The elements that make up the company's assets are being sold and will be transferred "as is and where is" and, more specifically, in their actual and legal condition and *wherever they are on the date of signature of the final contract.* The liquidator and the creditor are not liable for legal or actual faults or deficiencies in any of the qualities of the objects for sale, nor any incomplete or faulty description of them in the Offering Memorandum. Interested parties should, on their own responsibility and care, and by *their own means and expense, examine and form their own opinion of the objects for* sale. The submission of a binding offer implies that the interested parties are fully aware of the actual and legal condition of the objects for sale.
10. In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract at the time and place set in the liquidator's invitation and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
11. The liquidator bears no responsibility or obligation towards participants in his auction, both with regard to the drafting of the evaluation report on the bids or to the Liquidator's proposal regarding the highest bidder. Also he is not responsible and has no obligation to participants in the auction in the event of a cancellation or invalidation *of the auction if its result is deemed unsatisfactory.*
12. Those participating in the auction and who have submitted offers do not acquire any entitlement, claim or demand, on the strength of the present announcement or their participation in the auction, against the liquidator or the creditors for any cause or reason.
13. The costs of transferring the ownership of the assets for sale (taxes, fees, rights and other expenses) are to be borne by the buyers.

The present announcement has been drafted in Greek and in English in translation. In any event, however, the Greek text will prevail.

For any further information interested parties may be apply to the offices of the liquidating company ETBA FINANCE Financial & Economic Services S.A.

1 Eratosthenous Street, 4th floor, Athens, Greece, tel: +30-1-726.0210, 726.0278, 726.0291 and 726.0506 Fax: +30-1-726.0864

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(In Receivership)
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- 1995 turnover £4M.

For further details contact the Joint Administrative Receivers, Finbarr O'Connell or Scott Barnes at Grant Thornton, *Grant Thornton House*, Melton Street, Euston Square, London NW1 2EP.
Tel: 0171 383 5100 Fax: 0171 383 4077

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

THE PATERSON PHOTAX GROUP LIMITED

(In Administrative Receivership)

The joint administrative receivers offer for sale the business and assets of a manufacturer and distributor of photographic darkroom equipment, lighting, chemicals and accessories with the following key features:

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  - Photax
  - Benbo
  - Courtenay
  - 'ACU' chemicals (eg ACUFIX)
  - Photocolour
  - *Interfit*
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- Recently centralised operations at Tipton, West Midlands in a leasehold factory

Interested parties should telephone:
Steve Hancock or Tom Crossland
of Price Waterhouse, St Albans.
Tel: 01727 844155. Fax: 01727 845039.

Price Waterhouse

Price Waterhouse are authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

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Please write to:

Box B4541, Financial Times, One Southwark Bridge, London SE1 9HL

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE — No. 002922 of 1996
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF:
SALAMANDER PROPERTY GROUP LIMITED
and
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition presented to Her Majesty's High Court of Justice on the 24th day of May 1996 for the confirmation of the cancellation of the capital redemption reserve of the Company **AND NOTICE IS FURTHER GIVEN** that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on the 26th day of June 1996. ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the capital redemption reserve of the Company should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 4th day of June 1996.
Lewis Silkin
Windsor House, 50 Victoria Street
LONDON SW1H 0NW
Ref. TJW/KP/SA120 001
Tel 0171 227 8000
Solicitors for the above-named Company

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- Seven shops comprising one freehold, one long leasehold and five short leasehold premises, each with a sales area of between 5,000-18,000 square feet, located in the North West of England.
- Annual sales of c £4.3m.
- 116 employees.
- Stock with a book value of approximately £1.1m.

For further information please contact
Andrew Menzies or Neil Tombs
Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Tel: 0121 697 6000 Fax: 0121 697 6111/2

ROBSON RHODES — Chartered Accountants
RSM International

Robson Rhodes is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

CONTRACTS & TENDERS

INKOM BANK

Request for Information

Inkombank, ranked as the fifth largest bank in Russia by assets, wishes to select an **automated banking system** to cover all retail and wholesale banking operations. The system must operate under UNIX and be based on Client-Server Architecture.

To receive the RFI, please register your interest by sending a brief technical and functional overview of your system by fax to Vladimir Kulak on +7 502 224 8111. **Deadline for Registration: 30.6.96**

HRVATSKA ELEKTROPRIVREDA D.D.
(CROATIAN NATIONAL ELECTRICITY)
Ulica grada Vukovara 37
10 000 Zagreb
CROATIA

INVITATION TO TENDER

HRVATSKA ELEKTROPRIVREDA D.D. (hereinafter referred as the "purchaser") informs all the interested bidders that it invites a public international tender for the collecting of bids for the services of previous works:

making a prestudy of performability for the objects of Coal Thermal Power Plants in Republic of Croatia

The bid documentation can be taken over at the following address:

HRVATSKA ELEKTROPRIVREDA D.D.
Direkcija za proizvodnju
Sektor za termoelektrane
Misevecka 15 A
10 000 Zagreb
Hrvatska
Mr Marijan Arnold
tel. **385-1-6131-689
fax. **385-1-6131-979

The term for the submission of bids is July 1, 1996. The bids sent by post will be considered exclusively if they arrive at the mentioned address by this term.

The Purchaser will open the received bids on July 2, 1996 beginning at 10,00 hours at the address:

HRVATSKA ELEKTROPRIVREDA D.D.
Direkcija za proizvodnju
Sektor za termoelektrane
Misevecka 15 A
10 000 Zagreb
Hrvatska

Authorized representatives of bidders can be present at the opening of bids.

CONTRACTS & TENDERS

Disposal of Non-Core Business
ROTATIONAL MOULDING COMPANY

Following internal re-organisation we have decided to dispose of our *Rotational Mouldings Company.*
We are a leading manufacturer within the Road Safety Products Industry.
Turnover is in the region of £3.5m per annum. Our factory is well equipped with modern plant and we have a well trained and experienced workforce.
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LONDON BOROUGH OF CAMDEN

QUOTATION FOR LEASING FACILITY

The London Borough of Camden invites suitably experienced firms to apply for inclusion on a Select List of leasing companies/brokers.

Successful firms included on the Select List may be invited to quote for a £1m operating lease facility (vehicles and equipment) with a drawdown in *March 1997.*

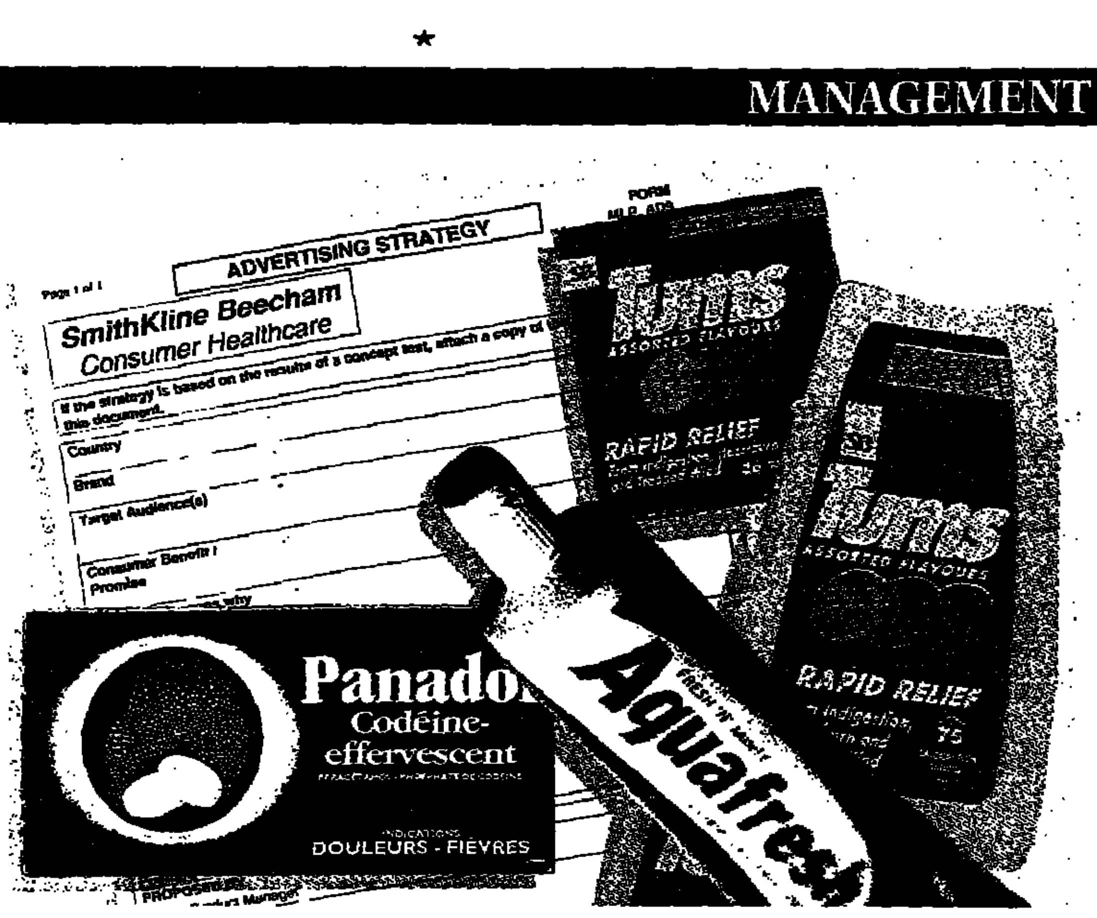
Applicants will be required to complete a questionnaire which should be returned by 21st June 1996 and can be obtained from:

Sandra Kinley
Chief Executive's, Financial Services
London Borough of Camden
Town Hall, Argyle Street
London WC1H 8NG

Tel: 0171 860 5691 Fax: 0171 860 5699

Camden

MANAGEMENT



Diane Summers on a worldwide programme to cure ills in SmithKline Beecham's consumer healthcare division

Global training

SmithKline Beecham, the Anglo-US group, faced some uncomfortable truths when it benchmarked the worldwide marketing activities of its consumer healthcare division against comparable sections of Procter & Gamble, Mars and Unilever.

An internal booklet to staff reported that the division, SBCH, was seen as "flexible, instinctive and populated by talented individuals with excellent trading skills". Then came the unflattering picture: "However, SBCH tends to have a degree of risk-aversion, is not innovative enough and lacks a full understanding of its consumers".

Martin Dreger, an SBCH vice-president based in Germany, confirms the findings. "We have often been content with little line extensions of existing brands rather than going for big launches."

Further studies revealed greatly differing standards across the world in marketing practice and scientific understanding of the division's products – non-prescription painkillers, cough and cold reliefs and dental care products.

The result of the stocktaking has been the development of a global training programme for marketing staff of a quality and scale certain to attract the attention of competitors. The Marketing Leadership programme aims to raise standards and provide a common language for SBCH's 800 marketing staff and suppliers across the globe.

Strategic firm Oxford Corporate Consultants conducted the benchmarking, both externally and within the company, to identify best practice and weaker areas. There followed extended testing of training materials drawn up by the London-based Empowerment Group, another group of consultants, in markets as diverse as Brazil, Poland and Singapore. "We had to test whether the same approaches could work, irrespective of culture and language," says Paul Miller, Empowerment's managing director.

The first three modules of the programme were launched last year between May and November at 21 conferences around the globe. They cover advertising, market research and new product development and are contained in ringbinders featuring case studies from the experience of both SBCH and other companies.

The advertising file, for example, starts with basic principles such as: "Put increased emphasis on getting top-quality strategies and briefs prior to the start of advertising development," and goes on to detail the nine steps seen as best practice in the creative development process – from how to check budgets and develop realistic timetables to managing the production of advertising and evaluating effectiveness.

Throughout the modules there are checklists, timetables and sample forms. For example advertising material contains forms designed to focus findings on consumer needs, advertising strategy, lead times and creative brief. The company is hoping the forms, which are also being provided on computer, will be in standard use across the world.

An unusual feature is that some suppliers – for example worldwide agencies Ogilvy & Mather and Grey – have been included in the training. Dreger, who is leading the initiative, says: "If we introduce new advertising processes, we have to be sure all our partners know about them and also use them."

Miller, who has worked with the company on other projects, describes SmithKline Beecham as "very much a consensus type of organisation. They don't force people to do things, but try to involve them."

A tight global grip on marketing is seen as unrealistic, but, if common processes governing, for example, brand planning and advertising are introduced, "then at least you've got the ability to influence the way people work", he says.

Reaction from marketing staff has depended partly on the sophistication of the market. Less developed countries had a strong appetite for the material, reports Miller, while countries such as the US and UK "felt they were pretty good already". Some people said the material was "not rocket science" but, "once they'd played it down, they then felt able to start using it". Further modules, for brand planning, brand development, and "opportunity identification" – generating and selecting new ideas – are being distributed worldwide. This time, smaller workshops have replaced the large conferences of up to 100 people. Two further modules are planned.

As a separate strand of training under the programme, efforts are being made to improve scientific understanding of the division's work. SBCH markets products available over the counter, in contrast to other parts of SmithKline Beecham which specialise in prescription drugs and healthcare services.

However, SBCH puts emphasis on the scientific basis of its products and, about three years ago, sold off what were seen to be purely toiletry brands to concentrate on the scientific area.

The new focus left some marketing staff, who had been more at home with toiletries, developing and promoting products of which they had little scientific understanding. Science training modules now cover areas such as analgesics and gastro-intestinal complaints and treatments.

The analgesic material, for example, covers the science of how pain is felt, how it can be described, common types of pain, and brands of pain-killing products.

The approach is more academic than with the marketing material and individuals study at their own pace under the supervision of country "coaches" rather than in workshops or conferences.

Overall, Miller believes the results of the Marketing Leadership programme are already beginning to show. "It's still a mixed picture, but they've achieved a huge amount. Consistent strategy and advertising brief forms are now being used worldwide, and I know people are putting more planning time into projects."

JOHN KAY

Clear thinking muddied by competitiveness

Competitiveness is much in vogue. Last week saw the publication of not one, but two league tables of international competitiveness. Soon the government will release its own annual pronouncement on Britain's competitiveness. The Labour party has its own emphasis on the subject. And yet one of America's leading trade economists, Paul Krugman, recently argued the term national competitiveness means nothing.

Competitiveness is a characteristic of firms, not of countries. The basic problem is that the word competitiveness is too vague to mean anything except what the person who uses it wants it to mean at the time. For some people, competitiveness is the economic analogue of military strength. There is a coming battle for commercial supremacy and our competitiveness is a measure of our readiness for the fray.

This is the world which Sir James Goldsmith inhabits and it seems, at times, that Michael Heseltine lives there too. It is easy to see why this approach, which implies an economic requirement for strong leadership in times of peace akin to the military requirement for strong leadership in times of war, is popular with politicians and would-be politicians. It is also a concept of competitiveness which Krugman is right to attack.

The analogy between business and war is profoundly misleading, both for individual firms and for national economies. It is misleading because success in war depends on the destruction of one's enemies – war is a process in which one side wins by destroying the other, while international commerce is a process of mutual benefit. World trade is not – as Sir James asserts – a system in which foreigners try to trick us into giving them our money. It is a process in which we buy things abroad because we can benefit from the fact that they are cheaper there than elsewhere.

Economic success depends on successful *differentiation, not* on size. Six of the top 10 countries in each of the two competing competitiveness leagues have less than 10m inhabitants: Switzerland and Norway demonstrate that you need not be big to be rich and Singapore and Hong Kong that you do not need to be big to grow rapidly. These martial misunderstandings lead to wholly inappropriate policies – the creation of national champions, the desire to create large and autarchic trade blocs, general protectionism and support for industries of supposed strategic importance.

The creators of these league tables seem to have something quite different in mind. For the IMD team, there is something mystical about competitiveness: "World competitiveness can be seen as a series of layers, with one layer leading to another and more fundamental layer." They tell us that it is becoming more volatile, with probability replacing the certainties of Newtonian physics. Yet after all this waffle their definition is quite precise: "Competitiveness is the ability of a country to create added value and thus increase national wealth." The only problem with this definition is that the ability of a country to create added value and thus increase national wealth is already very well and carefully measured by official statisticians, and league tables of national income are published by many international bodies. These measurements can be improved in various ways – for example by measuring environmental value added – but it is unlikely these would change the rankings very much, or the identities of the countries which usually come at the top – Switzerland, Norway, Germany.

Now although these countries are rich, they are by no means the fastest-growing in the world. And what the other team claiming to measure competitiveness has looked at is not the level of national output but its rate of change. For the World Economic Forum, competitiveness is the ability of a country to achieve sustained high *rates of growth* in GDP per head. But this different definition faces the same problem. If competitiveness is the ability to achieve sustained economic growth, it would be easier to look at how successful countries are in achieving high rates of economic growth. And there are compilations of international economic statistics that do that.

To find out what these teams really mean by competitiveness, we have to look at what they actually do rather than at what they say they do. Both the so-called indices of competitiveness are averages of a large variety of social and economic indicators. Some of these indicators are subjective, like the openness of a country's culture to foreign influences (assumed, whatever British tabloid newspapers say, to be good). Some are objective, like education levels. Many, like the share of government in the economy (assumed bad), openness to international trade (assumed good), and respect for the rule of law (assumed good), are indicators of government policy.

When it comes down to it, these indices of competitiveness are largely measures of whether the governments of the countries involved have adopted policies of which the authors of the survey approve. There is nothing wrong with publishing indicators of that. But it is misleading rather than helpful to call it competitiveness. And it is not obvious why the opinions of the researchers of IMD or the World Economic Forum about what constitutes good government should be worth more than yours or mine. Not everyone would put Singapore and Hong Kong at the top of their lists.

We need more research on what it is that makes countries rich and what makes them grow rapidly – the kind of research which is undertaken by some other economists like Robert Barro. And we need to understand better what contributes to the creation and exploitation of national competitive advantages – and that in analysing national competitive advantages, as for the competitive advantages of firms, we need to focus on the factors that differentiate successful countries rather than the ones they have in common. But we would do better to stop talking about competitiveness. It seems only to get in the way of clear thinking.

THE PROPERTY MARKET

Germany feels gravity's grip

Simon London asks if the flow of investment will continue

The collapse in 1994 of Mr Jurgen Schneider's property empire produced a wave of concern that the German real estate market would follow the UK, France, Spain and Sweden into serious trouble.

These fears proved misplaced. The German economy recovered faster than predicted and, importantly, demand for property from investors remained strong.

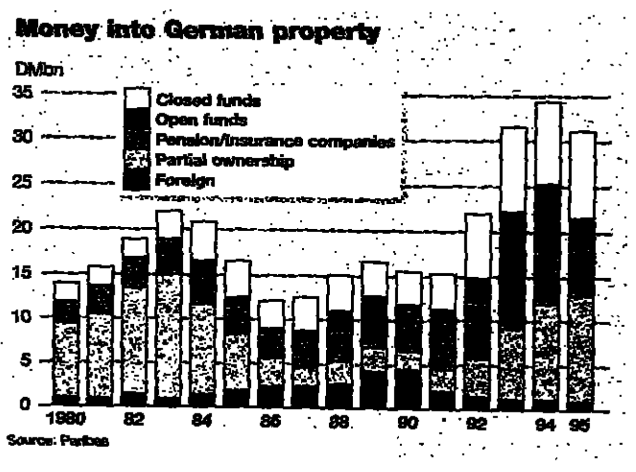
Yet Germany is now sliding back into recession. The economy has experienced two consecutive quarters of negative growth and insolvencies are on a rising trend. Office rents are falling in most German cities.

The latest survey of banks, investors and developers by DTZ Zadelhoff, the German property agent, found that 80 per cent thought conditions in the office market were negative or very negative.

So will investors continue to support the market by pouring savings into property?

Unlike the UK or the Netherlands, Germany does not have a widespread system of funded pension schemes. Savings find their way into property through three distinct routes: open-ended funds, closed-ended funds, and partial ownership structures, a form of direct investment.

International attention has focused on the open-ended funds, which are large and highly visible entities. DEGI, the biggest fund, is probably Europe's largest specialist property investor.



Closed-ended funds have tended to escape the limelight. These are generally smaller private funds raised by developers and banks, often to finance individual projects.

A recent research report by Paribas Capital Markets, the investment bank, estimated that closed funds have a total value of about DM90bn ($59bn), making them half as big again as their open-ended counterparts.

As the chart shows, the big inflows of savings into closed funds have come in the last four years, following the reunification of eastern and western Germany.

Tax-breaks to encourage investment in the east meant that investors could, in theory, achieve substantially higher returns by investing in property than in equities or bonds. Promoters of closed funds were quick to provide investors with a route to take advantage of these incentives.

Capital inflows into closed funds averaged DM9bn to DM10bn over the past four years, most of which has been invested in the property in eastern Germany.

There is little doubt that many investors will be disappointed by the returns they have earned on this capital. Paribas estimates that the DM45bn raised since 1992 is now worth perhaps DM27bn, thanks to a combination of falling property values and high management fees.

Moreover, tax relief for investing in the east will be substantially reduced at the end of this year and abolished at the end of 1998.

The unanswered question is whether losses in the east will sour the generally positive view of property which many German investors have historically held.

There must be a risk that this will happen. If it does, the capital inflows which allowed the German property market to defy gravity in the early 1990s could finally come to an end.

This need not imply a property crash. Germany has structural advantages over other European property markets.

Its federal constitution means that the property market is spread between a number of cities rather than dominated by the equivalent of London, Paris or Stockholm. This diversity has aided stability.

In addition, the system of *Pfandbriefe* – bonds issued by banks to finance their mortgage business – has encouraged relatively conservative lending criteria.

But it would be wrong to assume that Germany is immune from the fundamental problems of weak demand seen elsewhere in Europe. The combination of falling values and rising insolvencies, which caused pain in other countries, could yet arise in Germany.

Quintain aims for select group

At first sight it appears to be a strange moment for Quintain Estates and Development to announce its planned flotation on the London Stock Exchange. After a rally during April and early May, the property sector has once again fallen out of favour with investors, writes Simon London.

But the stock market is increasingly separating sheep from goats. While many companies are trading at discounts to net assets of 10 to 20 per cent, a select few have seen their shares rise to a premium.

These include companies such as Burford, Chelsfield, Shaftesbury and TBI which have proved that they can prosper in a flat or falling property market.

Quintain believes it can claim a place among this select group and hopes to issue shares at net asset value or even a small premium. Having increased net assets per share from 78p to 122p since 1992 – without the benefits of public company status – it has a credible claim to a place in the club.

Quintain's strategy, based on seeking out hidden value in the murky world of short leaseholds and reversionary properties, seems to work whether property values are rising or falling.

The company's founders – Mr Adrian Wyatt, a former partner of Jones Lang Wootton, the chartered surveyors, and Mr Christopher Walls, a former equity analyst – believe that there is systematic mispricing of properties in these areas.

Using a combination of discounted cash flow techniques and traditional property skills, Quintain aims to buy undervalued income. It then tries to add value by striking deals with freeholders, tenants, or adjoining property owners.

The strategy is unusual but has so far delivered good returns.

With more than 120 companies in the property sector, most with a market value of less than £100m, further flotations might seem perverse. In an ideal world private companies such as Quintain would reverse into or merge with some of the less dynamic quoted companies.

But experience shows that these deals are difficult to engineer. Quintain attempted to reverse into Orb Estates before discussions were terminated abruptly last month.

Disagreements over valuation, strategy and management mean that most deals have less than a 50-50 chance of coming to fruition. So long as this remains the case, ambitious private companies have little option but to float.

Finalists favour the community

Antony Thorncroft on the arts sponsorship shortlist for the FT/ABSA Awards

The finalists are limbering up; their supporters are getting excited; and within a month we will know the result. No, it is not the European Championship; it is the FT/ABSA Awards for Business & the Arts, which will be decided at Shakespeare's Globe on July 3.

This prize-giving for the companies that are reckoned to have exploited arts sponsorship most imaginatively and effectively are very important to the £80m arts sponsorship industry. There are still directors – and shareholders and employees – who doubt the value of arts sponsorship. Carrying off a prize – this year a glass sculpture by David Taylor – stills the sceptics.

The short list for the 1995-96 awards highlights the current state of arts sponsorship. In the past companies tried to buy a prize by giving a large sum of money to an established arts company. Now the likely winners are companies who use sponsorship as part of their marketing or community programme.

If the finalists for July 3 share characteristics, it is a concern for employee involvement, for supporting youth, and for encouraging a new audience to the arts. This is shown throughout the short-list. In the Best Use of a Commission of New Art, United Distillers gave money to Essex Dance, which enabled it to devise works which actually involved employees at its Gordon's Gin distillery at Laindon.

However, it faces a battle to win the prize against strong competition from CDT Design, which provided £20,000, its entire marketing budget, to help make possible the "Art Now" displays at the Tate; Manchester Airport, perhaps the most committed sponsor in the UK, which took a new ballet by Rambert Dance to San Francisco; and Toshiba UK which has helped the ICA explore the links between new technology and the arts.

In the First Time Sponsor category Crosby Homes (Midlands) was also concerned with wider access – buyers of houses on its new development near the Symphony Hall in Birmingham got free membership to the Hall. It is up against Anglo American, whose backing for the major African show at the Royal Academy acted as a lever for other sponsors; LG Electronics, a Korean company which made a massive impact with £125,000 to help the Royal College of Arts celebrate its centenary with a stylish exhibition; and Lilt, the soft drink, which enabled the Notting Hill Carnival go with a swing.

Lilt is a brand. Using brands rather than the company name to sponsor the arts is a growing trend, but it does not feature greatly in this year's short list. The corporate identity remains paramount. For the International Sponsorship Award it is a battle between Digital, which helped bring Cirque du Soleil to the Albert Hall; Standard Bank, which took the National Theatre's Studio for workshops in South Africa; and Roche Products, which put Oxford Orchestra Da Camera on the European map.

The awards are constantly changing. Instead of a prize for the best corporate programme – which tended to go to the biggest spenders – ABSA has developed a Strategic Programme category, to encourage sponsorship as integral to marketing. Contenders are the Bank of Ireland; Beck's; British Telecom; and the Halifax, a fairly new sponsor but very active in Yorkshire.

Youth Sponsorship always attracts many entries and this year the award will go to either the Bank of Ireland (again); Midland Bank; Royal Mail (London division); or TSB.

Increasing access to the arts is acknowledged in a special award, for which Bank of Scotland (which took a book bus to the remoter parts of Scotland); First Hydro; Scottish Power (with imaginative support for Scottish Opera which sang excerpts from their forthcoming season to a free audience in a disused Clyde shipyard); and Yorkshire Electricity are short listed; while the Long Term Development prize will be decided between Amoco, committed supporter of Welsh National Opera; Brother International, which helps the Hallé; Esso, stalwarts of the National Gallery; and United Distillers for its support of the Lyric Hammersmith, which has recently been extended to offering free tickets for first nights to local people.

Perhaps the most interesting awards are for Sponsorship by a Small Business and Sponsorship in Kind. The former reveals the real enthusiasts - Albert's Music Shop, a five man retailer in Guildford which put £3,000 into the Guildford Music Festival and recorded a 25 per cent rise in turnover; Forward Publishing for the Forward Poetry Trust; Hi Pro UK, which gave £15,000 to the dance development programme of Africa 95; and Judith Adams, the Art Bookshop, who found £1,000 to encourage drama in her local Ludlow Assembly Rooms.

For help in kind Acorn Storage Centres gave Artangel space in Wembley for a work created by Brian Eno; Choice FM, a Birmingham radio station, effectively plugged an exhibition of black and Asian art at the Ikon Gallery; Harpers & Queen devoted six issues, plus £20,000, to the Hockney show at the RA; and Nightfreight GB carried the gear of Hathi Productions, an Asian arts group.

Throw in Single Project, which will go to either AT&T for taking the Almeida *Hamlet* with Ralph Fiennes to the Hackney Empire; Channel Four for the Turner Prize; Glaxo Wellcome for opening eyes to Spanish Still Life at the NG; and Zeneca for backing North Stars Steel Orchestra of Huddersfield and you have most of the candidates.

This year, to mark the start of the FT sponsorship of the awards, there is one new category, the FT/CEREC Award for Sponsorship of the Arts in a European country. Among the ten short listed companies are Toyota Ireland; Creditanstalt (Austria); Elf (France); and Allied Domecq and Becks (UK).

The range of companies with an interest in the awards shows just how established sponsorship now is in the UK. ABSA, through its director Colin Tweedy, is fighting hard to ensure that the performing arts do not lose out to bricks and mortar as arts companies seek money from business to underpin their lottery bids. The imagination shown in the 1995-96 awards suggests that ABSA is winning the battle.

Theatre

Habeas Corpus

Alan Bennett's 1973 comedy *Habeas Corpus* is stuck thick with jokes that had the audience laughing from first to last in the new Donmar Warehouse production. The jokes come in many kinds: physical and verbal, clean and dirty, satirical and farcical and parodic; jokes about sex and sexuality, about Englishness and respectability, and about the neat artifice of theatre. Often, the genres of joke overlap. As the Rev Throbbing says to the spinsterly Constance Wicksteed, his would-be fiancée, "Together we shall be in the forefront of Anglican sexuality." Everyone is looking out for – remember this phrase? – the permissive society.

Habeas Corpus – though set in Hove, mainly in the home and surgery of the middle-aged and middle-class Dr Wicksteed – is an audacious contrivance. It is a sex farce without such usual scenic trappings of farce as multiple doors. It is a theatrical celebration of theatricality – full of prolonged asides and ludicrous coincidences, and with a clear sense of comic tradition going back via Orton and Wilde. And it is a satire of Englishness which, in its use of song-and-dance routines to evoke fading local traditions, recalls John Osborne's *The Entertainer*.

This production, directed by Sam Mendes, is cast from strength. Every role here requires an ironic and complex sense of caricature. Almost every character reveals a vulnerable and desperate quality that renders him, or her, now absurd, now touching. The distaff side of the cast is especially strong. At first, Brenda Blethyn, as Dr Wicksteed's 51-year-old wife Muriel, and Imelda Staunton, as the cleaning lady (and chorus; and Fate) Mrs Swabb, are both a little too broad, but soon they sweep the comedy powerfully before them. It would be worth seeing this revival if only for the way Staunton intones "It's all self, self, self in this house. Locked in our tiny domestic tragedies only I, Amelia Swabb, can take the wider view." Or the way she fatefully announces to the audience "And now, suddenly the air is black with the wings of chickens coming home to roost." Or the way Blethyn, fixing her errant husband to a new stint of sexually busy marital fidelity, makes him kiss her. Legs braced wide apart, she contracts in his embrace, like Hercules with the Nemean Lion; releasing the shattered man at last, she passes sentence on him: "And that's how it's going to be."

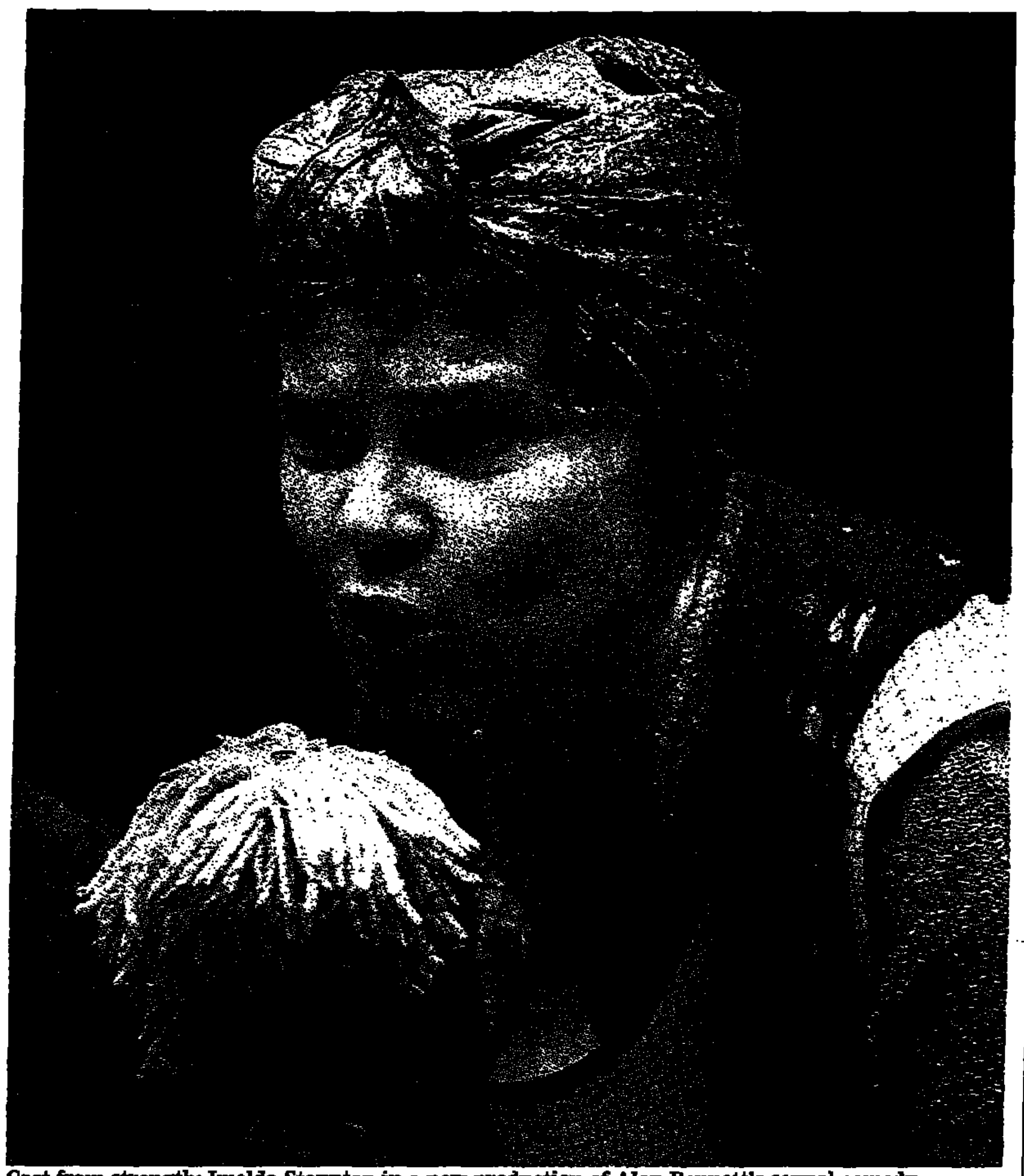
Celia Imrie, pinched nasal gentility and unswerving hauteur to the fore, is ideally cast as Lady Rumpers, and Sarah Woodward, always best in comedy, is superbly cast against type as the repressed spinster Constance. Jim Broadbent conveys the downtrodden mid-life lasciviousness of Dr Wicksteed with a nicely elegiac air. Nicholas Woodeson catches splendidly the fascistic and melodramatic edges of the secret inferiority complex of Sir Percy Shorter, while Richard Bonneville as the virginal but perpetually hopeful Rev. Throbbing and John Padden as the hypochondriac Dennis Wicksteed could hardly be bettered.

Yet there is something in *Habeas Corpus* that sometimes freezes both my admiration and my laughter. The play itself works so hard to shunt from joke to joke (and Mendes's production, excellent in most respects, underlines this, with numerous drastic changes of Paul Pyant's lighting for every aside or surreal moment), and a few of the jokes are creaky. *Habeas Corpus* strongly evokes such Orton comedies as *What the Butler Saw*; but where Orton's plays have a sense of irrepressible priapic glee, *Habeas Corpus* is full of repression and guilt. This is an odd thing to say of a play where three women have their breasts fondled and three men drop their trousers. Its characters all reveal that smallness of spirit which, for Bennett, always accompanies Englishness. And all of them, somewhere or other, express a sense of failure that spreads through the comedy like rising damp.

Englishness is really Bennett's only subject. He can always make us laugh at its absurdities, he adores its ironies, and he can usually show us its weak, touching, hopeless under-belly. If only he could give us more reasons to like it too.

Alastair Macaulay

At the Donmar Warehouse, WC2.



Cast from strength: Imelda Staunton in a new production of Alan Bennett's sexual comedy Alastair Muir

Ballet/Clement Crisp

Bold web of dynamics

Siobhan Davies' newest dance is *Trespass*, and it is having a first showing on the current tour by her company. There is a commissioned score from Gerald Barry – exciting textures, ardent writing for piano trio – and set and lighting by David Buckland and Peter Mumford. And it is an exhilarating affair.

The title tells of the work's starting point: Davies' suggestion that the elements of design, lighting, music, seek in some way to alter or influence the other components, to trespass upon their domains. I saw the piece in Sheffield's Crucible Theatre on Tuesday night, where a thrust stage means that the interplay between dance and design was not fully realised. Nonetheless, the logic and interest of the staging was clear and intriguing.

Trespass is a *sinfonia concertante* for Davies' admirable ensemble of seven dancers (four female, three male, in unisex tops and trousers), in which solo, duo, group dance, shift and eddy over the stage, crossing boundaries of light or design (there is a gauze which separates the back area of the stage), contrasting and confronting ideas, sharing them, placing them in exact spots and then re-locating them. We watch a web of dynamics, fast against slow, light against heavy, which is also oddly and unexpectedly emotional.

Siobhan Davies' sensibilities and her physical attitudes are refined, precise in form. But under this control lies a passionate sense of movement: across the 20 years of her career, her dances have got bolder without losing the exquisite tact that marked even her earliest creations. Her language is fluid, and seems to me to be becoming freer, more expansive, and it is unfailingly communicative: the Sheffield audience, of a wide age-range, was held tight by what they saw.

Trespass is vividly responsive to Gerald Barry's score and the images it evokes. There are hallucinations (the piece begins with what looks like a gigantic and skeletal sea-creature drifting in the ocean's depths) and games, and a large and luminous white globe that involves itself in the dance. And there is a constant interplay of dance-ideas: I love the way a hint of action seems to pass like lightning from one body to another in the ensemble, and how, yielding to imbalance, the dancers suddenly take off on new passages of movement. *Trespass* ends on a triple pianissimo, and as the last note and the last step hang in the air, the entire structure of the piece, now complete, hangs gratefully in the mind.

The programme also included last season's *The Art of Touch*, that bravura response to Scarlatti harpsichord sonatas and Matteo Fargion's new harpsichord writing in *Sette canzoni*. It is a dazzler. Davies' most overtly brilliant piece. Its latter part, using Fargion's score, is superlative, dance and music absolutely indivisible as steps clothe sound. Siobhan Davies here shows the splendid maturity of her talent with characteristic clarity and passion. It is masterly choreography. For the dancers – Amanda Britton, Gill Clarke, Sean Feldman, David Hughes, Jeremy James, Catherine Quinn, Deborah Saxon – unalloyed praise, with an especial note on Feldman's speed and rhythmic clarity.

Siobhan Davies will bring her new choreographies to London in the autumn.

Recital

Charmed fingers

When Yevgeny Kissin slipped back into the hall as a member of the audience to listen to the second half of the concert, the 26-year-old had just given a performance of Rachmaninov's Third Piano Concerto that tore up the average student's handbook on how to play Rachmaninov. His interpretation had been brilliantly, tempestuously, and sometimes recklessly his own. When I last reviewed this concerto I received a letter from a reader complaining about my choice of the adjective "demure" to describe the performer in question. In the Barbican Hall on Wednesday, we heard an explosive display of what the opposite to demure can sound like.

Kissin started the concerto slowly, underlining the Russian chant-like feel of the opening. Then, as the music begins to stir into life, he abruptly moved the tempo up a gear, making no apology for having jolted us into a different world of scintillating bravura. The pattern was set for the rest of the performance, which alternated between the extremes of thoughtfulness and showmanship, as though possessed by a Jekyll-and-Hyde personality.

In this analogy Hyde is the astounding technician, the owner of ten charmed fingers that turn Rachmaninov's dense pages of semiquavers into sounds of brilliant clarity and rattle off octave scales with a power and speed that one would have not thought possible. It was Hyde who played us the big cadenza in the first movement, making a thunderous assault on its fistfuls of chords. He was also assigned much of the slow movement, which I thought questionable. Rachmaninov surely meant the Adagio to be a contrast in mood, whereas Kissin played it every bit as ferociously as the movements on either side.

Hyde was certainly the dominant personality, but just when one began to tire of his high-octane technical dexterity, the inspirational Jekyll would suddenly re-appear. After one particularly long passage of noisy, percussive playing in the finale, he conjured an oasis of calm, where the playing turned inwards to a subtle exploration of the most delicate colours. At another point in the first movement the simple alternation of single notes between the hands became quite mesmerising.

Through all this the conductor, Yevgeny Svetlanov, did a splendid job of keeping the Philharmonia together with his unpredictable soloist. For Rachmaninov's glorious final climax he let the strings unfold as if they had all the time in the world (as he did afterwards in an indulgent account of Stravinsky's *Firebird* Suite) and then allowed Kissin to go hurtling away to the end. "Demure" this performance was not.

Richard Fairman

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
De Nieuwe Kerk
Tel: 31-20-6268168
● World Press Photo: exhibition showing the work of the American photographer and prizewinner Lucian Perkins and other selected press photos; to Jun 9

■ BALTIMORE

EXHIBITION
Baltimore Museum of Art
Tel: 1-410-396-6300
● Grace Turnbull: exhibition devoted to the work of sculptor, painter, writer and social activist Grace Turnbull (1880-1976). In 1928 Turnbull turned her full attention to sculpture. Her principal technique was direct carving, both in stone and wood, although one of her sculptures best known to the citizens of Baltimore is the bronze "Naiad" in the square of Mount Vernon Place. The exhibition is organised in celebration of the centennial of the Maryland Institute, College of Art's Rinehart School of Sculpture; to Aug 4

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Staatskapelle Berlin: with conductor/violinist Pinchas Zukerman perform Mozart's Violin Concerto in G, KV216, Violin Concerto in A, KV219, and Symphony in D, KV385 (Haffner); 8pm; Jun 11, 12
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Un Ballo in Maschera: by Verdi. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. Soloists include Neil Shicoff, George Fortune and Ralf Lukas; 7.30pm; Jun 11

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Daniel Barenboim: the pianist performs works by Beethoven and Brahms; 8pm; Jun 10

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Arabella: by R. Strauss. Conducted by John Fiore and performed by the Sächsische Staatsoper; 7pm; Jun 9

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle
Tel: 49-40-24862612
● Egon Schiele. Sammlung Leopold Wien: exhibition of works by Egon Schiele (1890-1918) from the Austrian Leopold Collection. The exhibited works represent all the artist's main periods of creativity and include such paintings as "Selbstseher", "Tote Stadt", "Selbstbildnis mit Judenkirschen" and "Eremiten". The display also affords insight into the artist's work as a draughtsman; to Jun 16

■ HELSINKI

OPERA
Opera House Tel: 358-0-403021
● Das Rheingold: by Wagner. Conducted by Leif Segerstam and performed by The Finnish National Opera. Soloists include Jukka Rasilainen, Jorma Silvasti, Esa Ruuttunen and Arild Helleland; 7pm; Jun 10, 12, 15

■ LONDON

CONCERT
St. John's, Smith Square
Tel: 44-171-2221061
● The Songmakers' Almanac: with conductor Graham Johnson perform songs and duets by R. Schumann; 7.30pm; Jun 9
EXHIBITION
Royal Academy of Arts
Tel: 44-171-4397438
● 228th Summer Exhibition: held every year since 1769, this is the largest open contemporary art exhibition in the world, drawing together a wide range of new work by living artists. It provides an opportunity to see work by internationally acclaimed painters, sculptors and printmakers alongside works by younger and less well-known artists; from Jun 9 to Aug 18
THEATRE
Barbican Theatre
Tel: 44-171-6388891
● Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Jun 10

■ MELBOURNE

EXHIBITION
National Gallery of Victoria
Tel: 61-3-92080222
● J.M.W. Turner: exhibition of approximately 60 paintings and watercolours by the English landscape painter Joseph Mallord William Turner (1775-1851). The exhibits come from European and American museums and private collections, including the collections of the Tate Gallery and the National Gallery in London; to Jun 10

■ MILAN

CONCERT
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Concertgebouworkest: with conductor Riccardo Chailly and violinist Frank Peter Zimmermann perform works by Berg and Bruckner; 8pm; Jun 12

■ MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Love for Three Oranges: by Prokofiev. Conducted by Roberto Abbado and performed by the Bayerische Staatsoper. Soloists include Guenter von Kannen, Kenneth Garrison, Brian Montgomery, Marita Knobel and Sabine Hass; 7.30pm; Jun 10, 13, 15

■ NEW YORK

EXHIBITION
Museum of the City of New York
Tel: 1-212-534-1672
● Gaelic Gotham: A History of The Irish in New York: exhibition featuring over 400 original artefacts that are displayed in thematic and chronological sections. Within each section, the exhibition focuses on themes important to the story of Irish New York life, such as politics, work, religion, and cultural pursuits, illuminating change in New York's Irish community over time; to Oct 27
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Enamels of Limoges, 1100-1350: the first international exhibition devoted to the works produced in the workshops of Limoges, France, between the 12th and 14th century presents some 150 examples of enamelwork from the collections of the Metropolitan, the Louvre, and the church treasuries of France, including Conques, Toulouse and Saint-Denis. Arranged chronologically, the display traces the various technical and stylistic innovations of goldsmiths at Limoges over the course of more than 250 years. Also the exhibition reconstructs ensembles dispersed centuries ago, including the treasury of the monastery at Grandmont of which Henry II and Eleanor of Aquitaine were the principal patrons; to Jun 16

■ PARIS

CONCERT
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Concertgebouworkest: with conductor Riccardo Chailly and violinist Frank-Peter Zimmermann perform works by Berg and Bruckner; 5pm; Jun 9

■ WASHINGTON

EXHIBITION
National Museum of American Art
Tel: 1-202-357-2700
● Elihu Vedder's Drawings for the Rubáiyát: American expatriate artist Elihu Vedder (1836-1923) became synonymous with his celebrated illustrations for an edition of the Rubáiyát of Omar Khayyám, published in 1844 by Houghton, Mifflin and Company. This exhibition features all 54 of Vedder's original drawings for the Rubáiyát; to Jun 9

■ ZURICH

CONCERT
Opernhaus Zürich
Tel: 41-1-268 6666
● Hermann Prey: recital by the baritone, accompanied by pianist Michael Endres; 8.30pm; Jun 10

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. *Tel: 31 20 664 6441*

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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Ireland's two faces

Mary Robinson represents a tolerant and inclusive Irish nationalism that is alien to Gerry Adams and the IRA

Two images of Ireland have impinged on our consciousness these past few days. President Mary Robinson has shown us the relaxed, self-confident, face of the modern Irish Republic. In Gerry Adams, the Sinn Féin president, we have seen once again the mean, pinched features of Irish republicanism.

It is tempting to pass over the pomp and ceremony accompanying the first official visit to Britain of an Irish head of state. These are dark times. The IRA has refused a restoration of the ceasefire which not so long ago raised hopes of permanent peace in Northern Ireland. The talks so carefully designed to cement republicanism's conversion to constitutional politics will start in Belfast next week without Sinn Féin.

Taking lunch with John Major in 10 Downing Street and with the Queen in Buckingham Palace, Mrs Robinson has eschewed comment on such matters. Like the British monarch, she is constitutionally obliged to stand back from the everyday trials of government. But we should not allow the significance of Mrs Robinson to be lost in the symbolism of her visit.

The IRA cannot be defeated by military might. It has bombed and murdered for the last quarter of a century. In narrow, military, terms it is as strong as ever. The contortions and compromises made by Mr Major's government during the past two years have recognised that reality. But nor can the IRA win. Its commanders still talk of defeating the British state. But Mr Adams's chums cannot overcome the unionist majority in Northern Ireland.

Mrs Robinson reminds us there are still more powerful forces at work, that time stands against the IRA. The President of the Republic represents a future which will see violent republicanism stranded by the tides of history. It will not happen quickly, but it has already started.

The 52-year-old former law professor is the most popular head of state Ireland has ever had. At 90 per cent plus, her approval ratings are consistently higher than those of the British monarch. She is also a different type of president. Hitherto, Aras an Uachtaráin, the presidential residence in Dublin's Phoenix Park, has been a retirement home after a successful political career. During her six years, Mrs Robinson has re-invented her office, using it to articulate and promote Ireland's new self-image.

A liberal, left-leaning feminist, her own background is integral to the process. She was brought up in the boglands of County Mayo. It is beautiful country, as rural as any in Ireland. It is also a bastion of Catholic traditionalism. Yet Mrs Robinson married a protestant. And, when she decided to enter politics, she chose the country's small Labour party over its two mainstream rivals.

There have been important breaks with convention in her approach to Anglo-Irish relations. Her predecessors rarely set foot in Britain. Though this was her first official visit to London, Mrs Robinson has made a point of making friends and building contacts during past, private, trips. Save for the timidity of the Whitehall establishment, she might have broken another

> The president of the Republic represents a future which will see violent republicanism stranded by the tides of history

taboo this week by addressing both houses of parliament. She has played host to several members of the royal family, and is eager for the Queen to become the first British monarch to visit Dublin since George V in 1913.

There is more to this than symbolism. Reconciliation with the past oppressor is part of a sense of Irishness which no longer relies on Britain. Unlike the English, the Irish have become enthusiastic Europeans. A successful economy and a cultural renaissance have reawakened national self-confidence. The Irish diaspora, numbering some 70m worldwide, is viewed now as a symbol of strength rather than of weakness. Thus Irishness is defined not by some arbitrary territorial boundary but by its culture and its values.

This is a concept of nationhood entirely alien to Mr Adams. As Mrs Robinson remarked this week, it recognises the right of unionists in the north to consider themselves British rather than Irish. It is tolerant and inclusive where Sinn Féin is mean and sectarian. It is Ireland's future rather than its past.

Watching his response to the latest agreement between the London and Dublin governments, it is clear that the Sinn Féin president understands none of this. Among his military bosses in the IRA, he no doubt stands out as rather a progressive figure. Mr Adams, of course, now claims that his organisation is distinct from the IRA. That is palpable nonsense. The two organisations are indivisible. He trumpets the fact that Sinn Féin secured 15 per cent of the votes for the Northern Ireland forum which provides the basis for next week's talks. He demands a seat at the table on the basis of that "mandate". No matter that his party's candidates included several of the IRA's military strategists. Sinn Féin knew the rules before the elections were held. Dublin is as insistent as London that it cannot bring its Armalites to the negotiations.

For all that, I am not among those who believe that the two governments should abandon all hope even before the talks start. In spite of its defiance in recent days, there appears to be a curious standoff within the IRA. Mr Adams cannot secure a ceasefire. And there are whispers in the intelligence services of plans for another bombing "spectacular" in London. But the IRA is divided, and seems reluctant to relaunch full-scale hostilities. Perhaps, just perhaps, it has decided to wait and see.

In such circumstances, talks without Sinn Féin are better than paralysis. The ground rules now set out by the two governments are full of the obfuscation which has always been demanded by the tribal politics of Northern Ireland. But they represent a workable compromise. And George Mitchell, the former US senator, is a good choice as an independent arbiter.

No doubt the unionist parties will claim that further concessions have been offered to Mr Adams. But they too have missed the changes in the Republic. The principle that Northern Ireland's constitutional position can be altered only on the basis of consent is now as entrenched in Irish as in British thinking. And were the IRA to put aside its weapons, Sinn Féin would enter the negotiations on a level playing field. The linguistic contortions in Anglo-Irish statements have always been inelegant but, if they save some lives, there can be no harm in that.

A few years ago, before the IRA ceasefire, Mrs Robinson took a political risk and shook hands with Mr Adams. She was much criticised at the time. I suspect she would repeat the gesture now if she thought it would advance the cause of peace. The president can afford to be generous. The future lies in her vision of Ireland. Mr Adams has too long been fighting yesterday's war with the British to understand that simple truth.

LETTERS TO THE EDITOR

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EU must act to allay fears over food

From Ms Annika Åhnberg and Mr Karl Erik Olsson.

Sir, The consumer's trust in food must be recaptured! Stricter legislation is one way.

Citizens' and consumers' discussions on the use of antibiotics in animal feedstuffs and hormones as growth promoters are growing more intense. Hence the review of the veterinary legislation "from stable to table" initiated by the European Commissioner Franz Fischler is greatly welcomed.

People do not want to eat food that has been produced in an animal-unfriendly way, and they worry even more if the food is a threat to human health. The horror spreads, and even though it may not be in proportion with the real danger, their anxiety must be taken seriously.

Unfortunately, the fear we experience today due to BSE is not an isolated case. Next time it may be polluted tap water, growth promotion hormones in meat or antibiotic resistant bacteria. We need stricter legislation urgently.

The European Union, unlike the US, is against hormones used as growth promoters. The EU took into consideration scientists', as well as public, opinion when deciding to ban hormones. The Union has to act in the same way when it comes to antibiotics in feedstuff. Only by improving its ability to provide citizens' basic needs and solve citizens' basic problems can the European Union become truly successful and appreciated.

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Sweden,
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Summit aim must be to relaunch market integration in Europe

From Mr Carlo De Benedetti.

Sir, At the summit in Florence later this month the heads of Europe's governments must face the fact that people today regard the idea of a united Europe with fear and suspicion. The enthusiasm for the 1992 Single Market – a promise of growth and prosperity – has faded.

Stage one of Europe's integration has ended. People feel cut off from a Europe that imposes endless sacrifices, taxes and social spending cuts. Support for government is dwindling as unemployment rises and a feeling of insecurity spreads across every region and every social class. Debate about Europe has narrowed to a technical discussion on the Maastricht targets among monetarists and the central banks.

Integration is stalled, leaving Europe stranded, the prisoner of an incomplete process. National markets are overwhelmed by a surfeit of regulations, bureaucracy and monopolies.

Markets work only if there is a plurality of players; freedom of choice in supply and demand; freedom to enter and to withdraw; transparent prices; a distinction between assistance and welfare; flexible utilisation of production factors, particularly labour.

For Europe, this means a new socio-economic model: new rules on the labour market; deregulation in a broad range of sectors; elimination of the regulatory constraints that hamper the market.

The time has come for "phase two" in the construction of Europe, with deadlines and objectives that can be measured in terms of real benefits. Only then can we recreate the mood of expectancy that characterised the introduction of the single market.

Liberalisation of the telecoms sector is an example of what is needed. By setting precise deadlines and procedures, the Commission has provoked a sense of urgency in government and business. As markets open up to competition, fresh impetus is given to innovation and price reduction. The examples of Britain, Sweden and Finland show that this can only benefit growth and employment.

To create a truly open single market, similar action must be taken in other areas, starting with those with greatest regulatory pressure: labour, education, healthcare, finance and transportation.

The summit in Florence needs to map out a clear plan of concrete action, which will re-launch market integration in an open competitive environment and recreate a real sense of "new frontier". Mr Jacques Santer, president of the Commission, has started the ball rolling with his ideas to stimulate co-operation among business, unions and government. He deserves our support.

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chairman,
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Italy

Hopes for East Timor are not reassuring

From Mr Simon Giverin.

Sir, Mr Ali Alatas, Indonesia's foreign minister, states in an interview with you ("Indonesia threatens slowdown on E Timor", June 3) that he wishes a solution in East Timor which is "more or less durable and where no-one feels a loser".

What he means, of course, is that he wishes to encourage Portugal – and the other human rights organisations you mention – to join the rest of the western world in turning a blind eye to the abuses perpetrated over the past 20 years upon the East Timorese by the Indonesian state.

I would suggest that the families of the estimated 100,000 men, women and children (about one-fifth of the population) who have died in the independence struggle against Jakarta since 1976 would be less than enthused by the reassuring diplomatic news (from their own foreign minister, no less) that non-one need lose out.

Simon Giverin,
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UK should recognise importance of Yemen

From Dr M.S.N. Al-Kahali.

Sir, I would like to see the UK government participate more in the development of the Yemen. Having come from Aden, Yemen, and having experienced life in Saudi Arabia, I am surprised at the UK government attitude towards the Yemen recently, especially after the last civil war in May 1994.

I think it is complacent in not recognising the importance of Aden as the future gateway to Arabia. In the uncertain future of Arabia politically, Yemen is the country to rely on in times of turmoil, being the only country in Arabia that has a democracy, freedom of speech and human rights.

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Europa · Michael Stürmer

The struggle of the Wild East

Russia has tried to limit the fallout from the collapse of the USSR but instability is still a threat

"I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma." That is how Winston Churchill defined western ignorance about Russia more than half a century ago. He added, however: "Perhaps there is a key. It is the Russian national interest."

But this, in turn, leaves us with a big question. For what is the Russian national interest today? Is it determined by the westernisers, of whom President Boris Yeltsin seems to be a distant descendant, or by the Eurasians, to whom Mr Gennady Zyuganov, Mr Yeltsin's chief opponent, and the recycled communists owe their allegiance?

Or is it decided by the energy clan around Mr Victor Chernomyrdin, the prime minister? Or by the military under General Pavel Grachev, the Russian defence minister? In this defining moment of world history, just one week away from the Russian presidential elections, it is very difficult to find out who is determining the Russian national interest.

Dostoyevsky's Russia, with its strange mix of sentimentality and brutality, may be more of a guide to the future than the free-wheeling capitalist Russia of Professor Jeffrey Sachs, the Harvard economist. We will not have the Russia of our wishes. There is, in sharp contrast to recent hopes in the west, still a lot of history to come.

Russia is one-seventh of the earth's landmass, spreading across nine time zones. It is a country of violent contradictions – yesterday's superpower, tomorrow's energy giant, and a country whose potential for creating trouble for itself and for the rest of the world may defy our wildest imaginations. At the end of the cold war the USSR was the uneasy owner of 46,000 nuclear warheads and is now trying to control what is left.

Empires, when they fall, do so with a bang, not a whimper.

Russia's struggle for unity: brutal tactics in Chechnya

Soviet Russia, so far, is a notable exception. But the transition from the USSR of the past to the Russia of the future is the greatest drama of our time, although it has not yet turned into tragedy.

A year ago the message from financial markets was that the time of trouble was coming to an end and that from now on reconstruction would start, investment flow and profits flourish. This was a little premature. Today it is sadly evident that the makings of a civil society are conspicuous only by their absence and that it will take decades to develop effective administration, reliable infrastructure and the rule of law. Meanwhile we have to do without, and reinvent life in the Wild East. It may take generations to turn robber-barons into people who blend the ethics of puritanism and the spirit of capitalism.

But so far so good. The Soviet Union has fallen into pieces, but Russia is struggling, successfully, to stay together, and we should welcome this even if the method applied – for instance in Chechnya – looks horrible and not even effective. The centre has shown both its willingness to force dissenting provinces into line and its ability – in Tatarstan, for example – to compromise.

Since the Federation Treaty of 1992, the 89 constituent parts of the Russian Federation have gained influence, though not independence. That is good news for those with nuclear concerns and for those with energy interests. The foremost condition for Russia as a partner – albeit always a difficult one – is that it stays in one piece.

What replaces the Soviet Union, at home and abroad, is still largely unsettled. The Russians claim what they call their "near abroad" as a zone of special interest. That can come as a surprise only to those who have chosen to ignore the last 300 years of Russian history – and who fail to understand that the west, too, wishes to co-opt eastern and central Europe and expand its strategic, economic and moral space.

Westerners believe, based on the ideas of democracy and the market economy, that they have the modern equivalent of divine right on their side. But one should not forget that a major strategic misunderstanding with Russia is a dangerous thing. The Europeans especially should not overlook that the number one US national interest is to protect the continental US against nuclear dangers; to see progress in eastern Europe takes, at best, second place.

For their part, the Russians have – with the help of money from Germany and other countries – co-operated with the west in trying to limit the destructive consequences of the fall of their empire. They left eastern Germany, Poland, Hungary and even the Baltic countries without much delay and in conformity with the agreements signed; they complied with arms control agreements – even the Conventional Forces in Europe Agreement is now being repaired; they supported the Middle East peace process; in Cuba they understood how to cut losses; and the Dayton agreement, for the time being, enjoys their support.

This is the upside. But there are also ominous signs on the downside, including the quarrel over Caspian pipelines. The high-tech weapons sales to China reveal both a lack of wisdom and a lack of cash. In siding with Iran against the west, the Soviets are reopening the Great Game of the past.

Both the west and Russia should be careful not to make their common interests hostage to the dispute over the widening of Nato, but rather should try everything to fit together their different views of European stability.

At the top of their list of concerns – apart from the opening of the Russian market and the building of good government – should be the control of proliferation of weapons of mass destruction; the co-opting of China, so far not given to strict observance of international rules; the establishment of security in the Middle East; and the stability of eastern and central European countries.

Chances for a settlement on most of those topics are good, whatever Russia's domestic scenery after the election. So far Russia has conducted, from a weak base, a strong foreign policy, reorganising much of the post-Soviet space with subtlety even towards the Ukraine, although with rough edges in other places. Russia after the Soviet Union is far from being, as it was once called, "Upper Volta with missiles".

The author is director of Stiftung Wissenschaft und Politik, a German foreign affairs and defence policy institute.

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How to lose the beef war

In its battles with Europe over infected beef, the British government can now achieve only different degrees of defeat. Its best course therefore is to declare victory and beat a retreat.

As the Confederation of British Industry said this week, the UK has much to lose by elevating these questions of food hygiene and bovine disease into an international political wrangle. Britain should therefore adopt a more conciliatory tone, and co-operate with the European Commission in finding a solution without resort to procedural blackmail. Despite what the Tory party's saloon bar warriors may say, the other European countries do not want relations to be damaged by this issue either. There are matters of greater and longer term importance to discuss at the EU summit in Florence on June 21.

The decision by the Commission on Wednesday to lift its ban on the export of three beef products – tallow, gelatine and semen – was at least a step in this direction. The British government should have taken it as an opportunity to abandon its febrile attempt to disrupt EU decision-making. Instead, it responded – inadequately – with a procedural concession.

This might be a sign that the grand tour of European capitals this week by Messrs Douglas Hogg, the agriculture minister, and Malcolm Rifkind, the foreign secretary, is bringing a return to common sense. If so, they have not gone far enough. The continued vetoing of EU decisions is petulant and childish.

It is also counterproductive, since the disruptive behaviour is having almost the opposite effect to that intended. Far from persuading Britain's partners to lift the ban on British beef, it is annoying them and stiffening attitudes. Moreover, it is a thoroughly bad precedent for how EU disputes should be resolved.

The British government must come to terms with its mistakes: a failure to take strong action against BSE (or mad cow disease) in the mid-1980s; clumsiness in handling recent evidence that BSE might be passed on to humans; and insensitivity in not giving better warning to EU partners of the new findings.

Moreover, UK ministers still need to understand that EC governments, acting as proxies for consumers, had every right to be worried by the announcement that eating British beef might cause death. However small that risk, potential customers on the continent will require more than the British government's word that adequate measures have been taken to make British beef safe. Moreover, since disputes about how many cattle need to be slaughtered cannot be resolved by science, a commercial decision may have to be made, instead, on whether access to EU export markets is worth the cost of killing more cattle than the UK believes necessary.

If the UK wants market access, it will have to co-operate unreservedly with the European Commission in agreeing the framework for measures to eradicate the disease. The UK must also accept that it has lost the trust of other countries in its ability to eradicate BSE. Rebuilding this trust will take years and require strong measures and more rigorous EU policing.

But first, British ministers must stop blowing their nationalist trumpets and admit to the commission: "We are in a hole. Please help to dig us out."

Snipping rates

If you make a "surprise" cut in interest rates with an election on the horizon, you will inevitably be accused of putting politics before the interests of the economy. But the chancellor, Kenneth Clarke, can muster a perfectly good economic case for yesterday's modest reduction in the base rate.

The best reason for the move is also the most traditional: alarm over a rising pound. Before the one quarter of a percentage point cut in rates, sterling had risen by roughly 4 per cent on a trade-weighted basis since the start of the year, with much of that rise coming in the past four weeks.

With luck, the loosening of monetary policy will help counteract the effect of the currency's sharp rise, without endangering the government's inflation target. Most signs suggest that UK manufacturers have yet to shrug off last year's build-up in inventories and the slowdown in continental European demand. And did not Mr Clarke's "wise persons" – or most of them, at least – conclude yesterday that the economy could grow at 3 per cent a year over the next few years without igniting inflation?

The risks to this benign outlook are no less traditional. No-one knows how much spare capacity there is in the economy: still less the pace at which it can be used up without pushing up inflation.

Equally, yesterday's small rate cut will do little to offset the broad international factors that have pushed the pound upwards. In the autumn Mr Clarke might suffer from the triple whammy of a further rise in sterling, a sharp pick-up in domestic consumption and an unacceptably large fiscal deficit. He would presumably want to lower interest rates and cut taxes. But he will probably be unable to deliver both and might be unable to deliver either.

Remaking Nato

The Nato foreign ministers who gathered in Berlin this week gave some confusing signals about the real significance of their decision to create a more flexible defence system, with Europe playing a bigger role. Fortunately, however, this long overdue effort to adapt the alliance to the post-cold war world was probably a more sensible, and less dramatic, move than the contradictory claims emerging from Berlin would suggest.

One such claim was made by US officials, who repeatedly described the conference as the most important Nato had held for decades. They also insisted, in the same breath, that the European-only military operations dreamed up in Berlin were unlikely to materialise, because the US would stay closely involved in the continent's security.

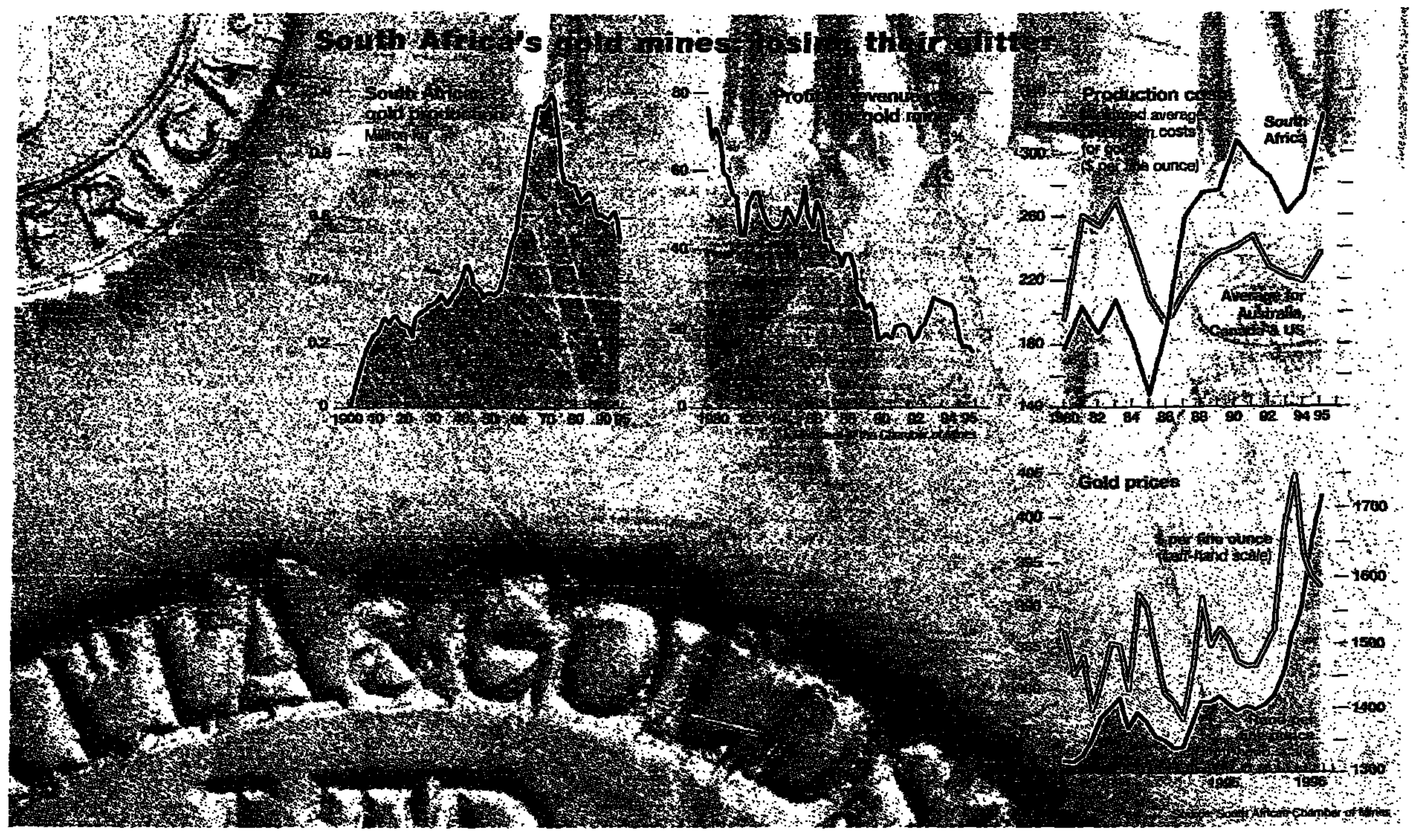
France, for its part, hailed the decisions taken in Berlin as a triumph for its campaign to make Europe more self-sufficient. But it also warned that they only marked the beginning of Nato's conversion into a military structure Paris could rejoin. The UK, which had supported France in many backroom negotiations, was sceptical in public about the likelihood of all-European military operations of any significance. Germany, meanwhile, lent public support to France's claim to have won big concessions for European independence – although its own quiet security co-operation with the US has never been closer.

Despite all the confusion, the generals whose job it is to act on these strange signals can comfort themselves with the fact that in security matters, practice is often easier than theory. Bosnia has shown how the US and western Europe, including France, can co-operate effectively and flexibly in an unfamiliar task, as long as the will is strong enough. The unhappy experience of the European-led UN mission in that region has also demonstrated how bad the consequences can be when the US and its allies fall out of step. To that extent, Washington's assurance that its allies will hardly ever need to act alone is a welcome one.

So too is the plain fact that France, for all its theoretical insistence on the independence of its armed forces, has in practice started to co-operate much more closely with all its allies, including the US. The French government's approach to military matters is practical as well as cerebral. It can see as well as anyone that there is more danger of too little US engagement with the continent than of too much.

As for the gains in European self-sufficiency that are supposed to have been made in Berlin, they are relative at best. Essentially, what was agreed was a procedure under which the US may lend important military equipment to its European allies. But if the US ever makes such loans, it will ask hard questions about how its assets will be used, and reserve the right to recall them. It would be unrealistic to expect otherwise.

Borrowing procedures alone will not provide any real self-sufficiency for Europe. To do without US support, the European members of Nato would have to increase their defence spending drastically, and that is out of the question politically. But if some countries feel obliged to exaggerate, for domestic purposes, the autonomy of Nato's European pillar, nobody should object too much. Humouring such claims may be an acceptable price to pay for the redesign of the alliance.



The pitfalls of deep mining

South Africa's gold mines are struggling to improve productivity and maintain their international competitiveness, says Roger Matthews

Johannesburg would not exist if it were not for gold: South Africa's economy was built on the mines around the city, and gold continues to make a vital contribution to the country's wealth. It provided nearly 8 per cent of gross domestic product last year, and 20 per cent of export earnings. South Africa still has at least 40 per cent of the world's recoverable reserves.

But high costs, poor productivity and the need to improve safety standards have called into question the international competitiveness of South Africa's gold mines. Production in 1995 dropped by more than 10 per cent to 523 tonnes, the lowest for nearly 40 years, after a fall of nearly 6 per cent in 1994.

Simultaneously, productivity decreased, pushing up production costs by 19 per cent, double the rate of inflation. The result was a 38 per cent decline in the profit on every kilogram mined, and a 36 per cent fall in the dividends paid by the mining companies.

Mr Roger Baxter, chief economist at the Johannesburg Chamber of Mines, says that last year could fairly be classified as a disaster for the industry. "South Africa's average production cost per ounce is now 36 per cent higher than other key producers, such as Australia, Canada and the US," he says.

The glory days of gold at $800 an ounce, a pliant labour force, casual safety standards and rich ore veins are largely past. No new South African industrial empire will be created on the profits of mining. Capital costs are rising as the industry is being forced to mine ever deeper to bring the metal to the surface, with depths of more than 4km already planned.

The wider implications for South Africa's infant democracy are scarcely less alarming than the outlook for the industry. The government urgently needs to increase economic growth to slow the rise in unemployment, currently in excess of 34 per cent of the workforce. The gold mines have shed nearly 200,000 jobs since 1987, and further reductions are inevitable among the remaining 330,000 workers.

As each miner is estimated to be financially responsible for seven to 10 dependants, and remittances are the lifeblood of many rural communities, the social and political implications are obvious. Sacked miners, many from neighbouring countries, also tend not to return home. This adds to the problems of squatters in mining towns, and probably contributes to South Africa's already high rate of crime.

When Freegold, the world's largest gold mine, announced early this year that it was considering laying off 10,000 men, one of the first to react was Mr Tito Mbowení, the minister of labour. He swiftly telephoned Mr Bobby Godsell, the head of Anglo American's gold and uranium division, which owns Freegold, to protest and seek a reversal.

"Tito asked me how I could do this," says Mr Godsell. "I replied, 'Tito, how can I not do it, unless you write me an immediate cheque to cover the losses? But even that is no answer. You can maybe give the mine three months to try to put things right, but you cannot subsidise the industry. What you the government, the unions, and the shareholders require is profitability'."

Mr Baxter estimates that the number of marginal mines – those having a profit to revenue ratio of below 6 per cent – has increased from seven in 1994 to 15 last year. These 15 mines produced more than 190 tonnes of gold and employed more than 150,000 workers. In other words the marginal mines account for 37 per cent of production and 44 per cent of the labour force," he says. First-quarter results showed some improvement this year on the back of a higher gold price. The recent 20 per cent decline in the value of the rand will provide further short-term relief, as the gold price is denominated in dollars.

But the trend is clear, and Mr Baxter knows where the problem lies. "The root of the issue is the impact that labour and productivity has had on costs. The industry has to lift the yoke of burdensome restrictions and outdated work practices."

The gamut of changes required range from the elimination of attitudes that stemmed from the apartheid system, to the introduction of new skills and modern management techniques. "The most basic, fundamental change is to abolish the master-servant relationship on which this mine, and all others were run. The distrust of management is deeply imbedded," says Mr Chris Wiesman, human resources manager at Freddies No 1 shaft at the Freegold mine. "If 10 years ago we had been able to implement the sort of changes we are now discussing, we would not be in the mess that we are today."

Foremost among the changes have been the abolition of restrictions that identified job with colour, the planned reduction in the number of different worker grades, and ending the distinction between production and engineering staff.

"There is no place in the South African gold mining industry for unskilled labour," says Mr Godsell, who 10 months ago took over as chairman of the world's biggest gold producer. "Of course, there will always be unskilled tasks. But what we must have is multi-skilled individuals, who can handle a variety of tasks, and who bring value to the operation as part of an integrated team. There is no room any more for people who are just sweepers or loaders."

One immediate improvement suggested by many mine owners would be for unions to agree to work on Sundays. Mr Baxter says most mines need to operate for 21 to 22 days a month just to break even, a problem that has worsened with the introduction of four extra national holidays since the April 1994 election.

Union leaders in Johannesburg are wary, but representatives at Freddies No 1 shaft appear more flexible. "This is something that we are obviously going to have to discuss," says Mr Frank Swieglaar, of the white Mine Workers Union. "The head office is obviously not very happy about it. But if we want to move forward, then we must do it. There has to be flexibility and that is what I am talking to the members about." Mr Abraham Mokhoema, the representative of the black National Union of Mineworkers, agrees, and says the creation of a workplace forum at the mine was valuable in providing a focus for discussions with management.

Employers accept that agreement on Sunday working would require a premium payment. Mr Godsell goes further and says that as a matter of equity mineworkers should receive overall pay increases of 30 to 50 per cent because of the hostile environment in which they work. Two hours at a depth of 2.2 kilometres, and just two minutes operating a drilling machine at the rock face, is enough to convince most visitors that Mr Godsell is right.

"But there is no point in putting up wages to close down mines," he says. What will eventually have to be introduced is a system of "contingent" earnings which might reflect a range of elements, such as the price of gold and the level of productivity. The target would be a basic living wage, plus additional payments for achieving agreed targets. Such schemes have existed in the past, but foundered on union demands for industry-wide standard agreements which penalise older mines extracting low-grade ore.

Democracy is bringing another necessary, but potentially costly reform to the mining industry in the form of new safety regulations. Legislation will go before parliament later this year, and opinion is divided, not on its necessity, but on its impact. Mr Godsell, whose corporation faces further inquiries into the disaster at the Vaal Reefs mine last year which cost the lives of more than 100 miners, is enthusiastic about the legislation.

"It is another case of us catching up with other countries. It represents a new approach and is based on risk assessment. It is right and appropriate that this assessment should be undertaken by managements and workers jointly, as it is their lives at stake. But it is also their livelihoods at stake. There are also risks in poverty and unemployment," he says.

The increased militancy among the country's leading trade unions suggests they may not yet be prepared to recognise those wider risks. But Mr Dave Hodgson, the regional manager of the Freegold operation in the Free State, has noticed a significant increase in the numbers of the local community attending his regular briefings. "They are understandably concerned about our future," he says.

As with so many other issues in post-apartheid South Africa, idealism and demands for social justice are running into the brick wall of profitability and international competition. And the outcome will affect much more than the country's flagship industry.

· OBSERVER ·

The first $1bn is the hardest

■ It hardly came out of a clear blue sky. In fact, if German giant Bertelsmann and the Murdoch-controlled British Sky Broadcasting had not fallen out over the best way to lose the first few billion dollars in the new age of digital television, it would have been surprising.

As it is, they protest too much. Germans have accused Murdoch of unseemly impatience, and Americans have retaliated with charges of uncommercial stolidness, but that hardly gives the whole story, coming from two of the world's largest media empires. If they were that touchy about dealing with foreigners, they would never have got so big.

Culture clashes may have played a tiny role. The only part of Bertelsmann clearly free of the provincial air of its Gütersloh headquarters is its US arm, run largely by Americans. The cosmopolitan Michael Dornemann, the Bertelsmann honcho who brokered the BSkyB deal, has been well taxed as a go-between within the Bertelsmann empire.

But it is Bertelsmann's lack of feel for TV, not Germanic caution, which always threatened the pact. All the more as the deal included the savvy, successful Canal Plus. Vox, an earlier Bertelsmann venture, was saved from bankruptcy two years ago by Murdoch. Even worse, Bertelsmann was somewhat cavalier to promise Murdoch a slice of Premiere, Germany's first pay-TV network. That overlooked the fact that Canal Plus and Bertelsmann's arch-rival Leo Kirch, which also had stakes, might have had other plans for deploying this valuable weapon.

Could Murdoch and Kirch now team up? A Bertelsmann nightmare, surely. Although they are said to respect each other, it seems unlikely. But Murdoch and Canal Plus . . .

When in Rome

■ Actress Tilda Swinton is playing well in Rome – but once again she is sleeping through her audience's visits. After her show in the Serpentine Gallery in London last year, Swinton has taken her attractively laid-back genre of performance art – which consists of herself kipping in a glass case – to Rome. Maybe is to be found in one of the Italian capital's smallest and least-known museums, the Museo Barracco, where the unusually indulgent curators have allowed Swinton to tart up the standing collection of ancient statuary with seeds and bulbs supposedly symbolising the qualities of the stonework. Swinton is ensconced in a so-called wardian case – a replica of an 18th century container used to ship botanical finds from Africa.

She has been bringing in some 500 paying guests every afternoon – more than the museum normally sees in a month. Perhaps she should continue around other European capitals – in an effort to convince people that the Brits, beef notwithstanding, have not lost their sense of humour.

Hide and seek

■ After more than a year living out of his suitcase, Mexico's controversial former president Carlos Salinas has settled in Dublin – for now.

The diminutive former president – who left Mexico after the arrest last year of his brother Raúl – has been sighted in recent months walking around St Stephen's Green, eating in restaurants, and being driven around in a modest blue Rover. Unlike his brother, who faces charges of illicit enrichment following the discovery of more than $100m in sundry bank accounts, Carlos has had nothing formal levelled at him, and is incensed at the claim that he's in hiding.

Home is now rented, and shared with a new wife, a Harvard graduate two decades his junior, and a four month old baby. When he is not playing golf, which he has taken up for the first time, he works on a book about how governments should soften the social consequences of economic reform programmes. He has told friends he will return home to defend himself when the controversy about his role as president becomes less sensitive for the current government – perhaps after next year's important mid-term elections.

Schott her bolt

■ If political correctness was invented to curb Marge Schott, it actually has something going for it.

The dotty owner of the Cincinnati Reds baseball team calls everyone "honey," "baby" or "sweetheart" – unless they happen to be black, Jewish, or Asian, in which case she has a whole range of other epithets.

On Adolf Hitler she will tell you he was OK at the beginning, rebuilding all the roads and that. He just went too far. A third generation German-American who says she used to play with Nazi soldier dolls as a child, she has actually apologised for that particular comment. But many of her other baseball club owners believe that is not enough. They are understood to have given her until next Wednesday either to relinquish day to day control of the Reds or face suspension.

In 1993, she was suspended for a year, and sent on "sensitivity training" to stop her talking about "Dave my million-dollar nigger". It didn't work – and now it's probably finally too late.

The Financial Times

50 years ago

Mexican Railway Sale

The Board of the Mexican Railway Company announces that, after protracted negotiations, the line has been sold to the Mexican Government as on June 1st, and the property was taken over by them on that date. Subject to contract, the purchase price has been agreed at 41¼ million pesos. Fifteen million pesos have been remitted on account, the balance to be payable when all legal formalities in London have been completed.

Brazil Traction Dividend Policy

Mr. Walter H. Salomon is attending the meeting of the Brazilian Traction Light and Power Company to be held in Toronto towards the end of this month. He will ask the directors to pursue a more generous distribution policy. Mr. Salomon has been in correspondence with the Board, in anticipation of the recent meeting to consider the interim dividend (which incidentally was maintained at $1). Mr. Salomon points out that for many years, barring the last two or three, the shareholders had a very raw deal. For 1935 and 1939 and 1940 there was no dividend. The highest payment between 1935 and 1942 was $1 per share and the lowest 40 cents.

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Beijing ready for tough battle over on-site inspections

Chinese climbdown lifts hopes of nuclear test ban

By Frances Williams in Geneva

China said yesterday it would accept a ban on all nuclear explosions, in a climbdown that removes an important obstacle to concluding a comprehensive test ban treaty this month.

However, Beijing also signalled a tough battle over provisions for on-site inspections of countries suspected of cheating. China, with a number of other countries, wants to make these as difficult as possible, while the US, backed by most western powers, wants quick inspections.

Mr Sha Zukang, China's ambassador to the 38-member United Nations disarmament conference negotiating the treaty, said his country was ready to go along with a "temporary ban" on so-called peaceful nuclear explosions – those for scientific rather than military purposes – in the interests of completing the treaty on time.

But Mr Sha said China wanted the matter considered by a treaty review conference, which will probably be held after 10 years. "We cannot agree to ban a promising technology just for the sake of banning nuclear weapon test explosions," he said.

If other countries agreed to this proposal, China would be ready to accept a pact banning "any nuclear test explosion or any other nuclear explosion", Mr Sha said.

However, western diplomats noted that China has been isolated on the issue of "peaceful" explosions throughout the two-year negotiations and said Beijing had been looking for some time for a face-saving way out.

The hope is that China will now be prepared to drop specific reference to peaceful explosions in the treaty. Western nations are also expected to insist on conditions severe enough to prevent any realistic possibility of these ever being carried out.

Negotiators said China instead appeared to be gearing up to fight its corner on the issue of on-site inspections. Beijing is demanding that inspections be approved by two-thirds of the executive council.

It also supports restrictions on the use of so-called "national technical means", such as data from spy satellites and news media reports, which would supplement the planned network of worldwide monitoring stations.

In an interview published yesterday, Mr Stephen Ledogar, the chief US negotiator, said the current draft treaty text "falls generally short" of US wishes on "the whole cluster of verification issues". These included unrestricted use of national technical means and a semi-automatic procedure for approving on-site inspections.

The negotiations had reached a "delicate and dangerous take-it-or-leave-it" stage, Mr Ledogar said. Negotiators say they must conclude the treaty by June 28 so that it can be open for signing at the UN general assembly in September.

Boost for third world telecoms projects expected

By Alan Cane in London

WorldTel, set up last year to help boost telecoms in developing countries, has won initial backing from a group of international investors and is seeking billion-dollar projects in Asia, Latin America and Africa.

The company, created as part of United Nations' plans to lay up to 50m telephone lines in developing countries over the next decade, is looking for projects to fund and manage in developing countries. It will compete directly with private telecoms groups.

Seed capital of $10m, which will enable the company to set up offices in London and Geneva, has been agreed by investors including GE Capital, American International Group, NatWest Markets and a number of Kuwaiti investment groups.

NatWest Markets is WorldTel's financial adviser and will co-ordinate its fund-raising activities.

WorldTel has the support of the International Telecommunications Union, the UN's oldest agency, although it operates independently.

The ITU is prepared to open doors in target countries, giving it an advantage over conventional companies.

Mr Sam Pitroda, WorldTel chairman, said: "If somebody says that is not fair, then tough luck."

Telecoms manufacturers are not allowed to invest in WorldTel to avoid self-promotion.

Industry consultants estimate there is an annual shortfall of $28bn-$50bn for telecoms projects in low-income countries. There are 650m telephones for a world population of 5.6bn – and Tokyo has more telephones than the whole of Africa.

WorldTel aims to provide funding, technology and management, with projects giving a 20-25 per cent return on equity.

The company plans to use the most cost-effective technologies, substituting wireless communications for expensive cable links where possible.

Mr Pitroda, an Indian-born entrepreneur who gave up a successful electronics career in the US to become an adviser to Rajiv Gandhi, the late Indian prime minister, said he did not foresee problems in securing a minimum of $500m in funding for the first round of projects.

WorldTel, the only commercial venture to have the ITU's active support, is the brainchild of Dr Pekka Tarjanne, ITU secretary general.

He is concerned that the gap between developed and developing countries in telecoms is widening, which keeps their economies depressed.

Countries where projects are secured will have to pay $100,000 to guarantee their commitment.

Plan for chip network

Continued from Page 1

commissioner, opposes the deal between Washington and Tokyo, arguing that it discriminates in favour of US chip producers. They have 19 per cent of the Japanese market, compared with the European producers' 1.5 per cent share.

The idea for a global semiconductor council was launched by the Electronic Industries Association of Japan.

It suggested that the body should be composed of national and regional industry associations. The Japanese industry has suggested co-operation should cover relations between semiconductor producers and users, standardisation, environment and safety, intellectual property rights and the exchange of market data.

EU officials say governments would not be directly involved in implementing collaboration, and insist fast-changing semiconductor technology would ensure adequate global competition.

Turkey bid

Continued from Page 1

resignation. [My] party's duty is not to discuss the court's decision but to obey the law."

Mrs Ciller said it was a "late, but correct decision". "Turkey has wasted 22 days [since the constitutional court's ruling]. New opportunities arise from each crisis. We will continue to do whatever is necessary to unify the centre right," she said. But she gave no indication of attempting a rapprochement with Mr Yilmaz.

Britain agrees on US ex-senator to head Ulster talks

By John Kampfner in London

The British government yielded to Irish insistence yesterday and agreed that Mr George Mitchell, a former US senator and close aide to President Bill Clinton, should chair all-party talks on a settlement for Northern Ireland.

Mr Dick Spring, the Irish deputy prime minister, said the rules for the negotiations beginning on Monday should satisfy all sides, including Sinn Féin.

Both prime ministers, Mr John Major of Britain and Mr John Bruton of Ireland, will travel to Belfast to take part in the opening session.

The agreement was denounced by the hardline Democratic Unionists and several backbenchers of the ruling Conservative party.

One, Mr Terry Dicks, said that he was considering resigning the party whip, although colleagues noted that similar threats by Tories who are disgruntled over Ireland have failed to materialise.

The Ulster Unionists were more muted in their criticism, although their leader, Mr David Trimble, has demanded to see Mr Mitchell before the talks. Mr Mitchell, who headed a three-man international team looking at paramilitary weapons in January, is said to have agreed to the meeting.

Reaction was more positive from Sinn Féin, the IRA's political wing, although its president, Mr Gerry Adams, said he did not expect an IRA ceasefire. Last week's elections in Northern Ireland paved the way for the top 10 parties to take part in the talks. Sinn Féin has been excluded even though it came fourth with its largest share of the vote since the start of the "troubles" over 25 years ago.

Sir Patrick Mayhew, Northern Ireland secretary, said he "regretted greatly" Sinn Féin's exclusion. Both governments have insisted that the IRA restore the ceasefire it broke off in February before Sinn Féin joins the talks.

Sir Patrick emphasised that the area of the talks which deals with the most controversial element – a greater say for the Irish Republic in the affairs of Northern Ireland – will be chaired by General John de Chastelain, a Canadian career officer who Unionists say is more sympathetic to their cause.

British ministers believe the anxiety among Unionists over Mr Mitchell is misplaced. Although he is of part-Irish stock, he was seen by neutral observers as delivering a sensible alternative to the UK government's demand that the IRA hand over weapons before talks.

Mr Mitchell will chair the opening session and will have the power to reconvene full sessions of the talks. He will also head the sub-committee that will look into the issue of weapons. The third member of Mr Mitchell's group, is Mr Harri Holkeri, a former Finnish prime minister.

Baseball bat replaces gun rule, Page 8

THE LEX COLUMN

Copper meltdown

The copper bubble finally burst yesterday, with prices closing more than 20 per cent below their level a month ago. But while the extent of the correction was extraordinary, even by the standards of notoriously volatile base metal markets, perhaps the greatest surprise was that the price had remained so high for so long. With copper production set to increase by around 8 per cent this year, there was always going to be considerable downward pressure on copper prices. Demand remains strong, particularly from the dynamic economies of south east Asia, but it is not nearly strong enough. And it has been held back by depressed levels of consumption in Europe, where construction activity remains depressed.

Of course, the extent of the swings in the copper price has been driven by options traders and hedge fund managers. Copper producers take out options to protect themselves from market risk and as the price of copper edged towards these contract prices, counterparties have been forced to sell in the market, driving prices further downwards.

There is always the possibility that China could come to the rescue. There has been an abundance of rumours of a massive order from China, sufficient to absorb this year's excess copper stocks. Nonetheless, the likelihood is that supply of copper this year will exceed demand and that this surplus will rise considerably in 1997. This has to drive the price further downwards. After all, even those mines with the highest extraction costs can supply copper at around 20 per cent below the current selling price – and they can lock several years of production in at current prices.

Eurotunnel

The Eurotunnel saga is assuming an increasingly surreal quality. The company is effectively bankrupt. Even if it is true that it is close to clinching a deal with its bankers on a debt-for-equity swap, the notion that this would leave shareholders better off is about as believable as the plot of a David Lynch film. Rational or not, this appears to be the explanation for Eurotunnel's recent spectacular share price performance. The price has leapt from 64p at the start of April to 103p yesterday. For this to make sense, the banks would have to forgive a large portion of Eurotunnel's £8.8bn debt mountain. At a pinch, one could just about imagine the French banks agreeing to this in return for money or favours from their government, but it is hard to visualise Lord Alexander of

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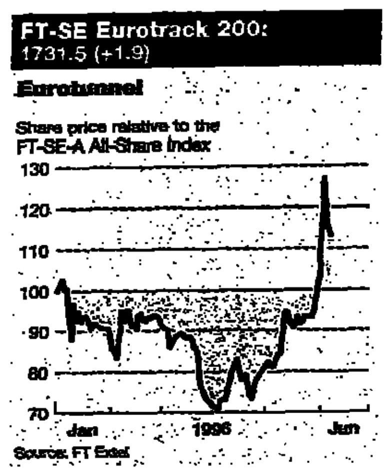
1731.5 (+1.9)



NatWest explaining a huge write-off to his shareholders. The fact is that Eurotunnel is likely to generate about £150m of operating cash flow this year and perhaps £275m next year – enough to service around £4bn of debt. That would mean getting rid of nearly £5bn of debt, one way or another. Even if some were to be forgiven, current shareholders are unlikely to end up owning more than 20 per cent of the shares when it is all over. And any solution involving quasi-equity such as convertible bonds will only disguise the extent of the pain which shareholders are bound to suffer, sooner or later.

UK interest rates

The British chancellor is playing a dangerous game of grandmothers' footsteps with the markets. By sneaking rates down in small chunks and making reassuring noises in between cuts about his willingness to raise them, he has actually lowered them quite a lot. Commentators make nervous noises, but each time they can console themselves: inflation figures are pretty good and, what the heck, even if the economic case is weak, what harm can a quarter-point do?

In fact, when rates are already this low a quarter-point is far from negligible. Individually, the four recent rate cuts may look tiny – but together, they amount to a 15 per cent reduction in the cost of debt. Moreover it takes 18 months or so for rate cuts to feed into higher inflation – so the current rosy picture is deceptive. That, certainly, was the message of the Bank of England's recent inflation report.

Nor is sterling's recent strength much of an excuse for a cut. To use short-term currency movements to guide monetary policy is inherently risky – especially when political pressures will make it hard to reverse cuts if sterling falls back again.

It is true that manufacturing is going through a grim period. But this reflects depressed export markets and a big stock overhang; both problems are likely to solve themselves, and cutting rates is unlikely to do much to help. It is more likely to stoke up an already healthy consumer boomlet; when the housing market and consumer credit are both reviving, it is time for policymakers to fret.

The worry is that the government is now more interested in managing the election process than managing the economy. The idea of a Conservative victory may look a lost cause, but the fallout from the government's lax monetary and fiscal policies could still, conveniently enough, make life extremely miserable for an incoming Labour government. It looks dangerously like a scorched earth policy.

British Gas

Those hoping for fresh blood on British Gas's plush new carpets must have been disappointed yesterday. Ms Clare Spottiswoode's latest review actually prompted a modest rise in the share price. There was, in fact, nothing particularly soft about the outcome; supply margins are to be squeezed hard and the annual price cut – 5 per cent in real terms – is respectably demanding.

Moreover the big bit of good news – that British Gas Energy, the supply business which is to be demerged, is still going to be able to pass on the high costs of its uneconomic gas contracts to customers – is only a temporary respite, since competition will quickly eat into its ability to do so. True, only 10 per cent of customers in the competition trial in the south west have so far switched from BGE, despite price cuts of more than 20 per cent available elsewhere. But it is early days yet; the trial has only been running for six weeks.

Moreover the problem with BGE's contracts is not only that the prices are too high but also that it is forced to buy gas whether or not it is used; making customers pay high prices solves nothing if the company sheds market share as a result. So despite the regulator's decision, renegotiating the contracts remains the key to BGE's prospects. If anything, by improving its finances in the short term, Ms Spottiswoode has actually harmed its chances of persuading producers to shoulder some of the cost.

Lex comment on Siebe, Page 19

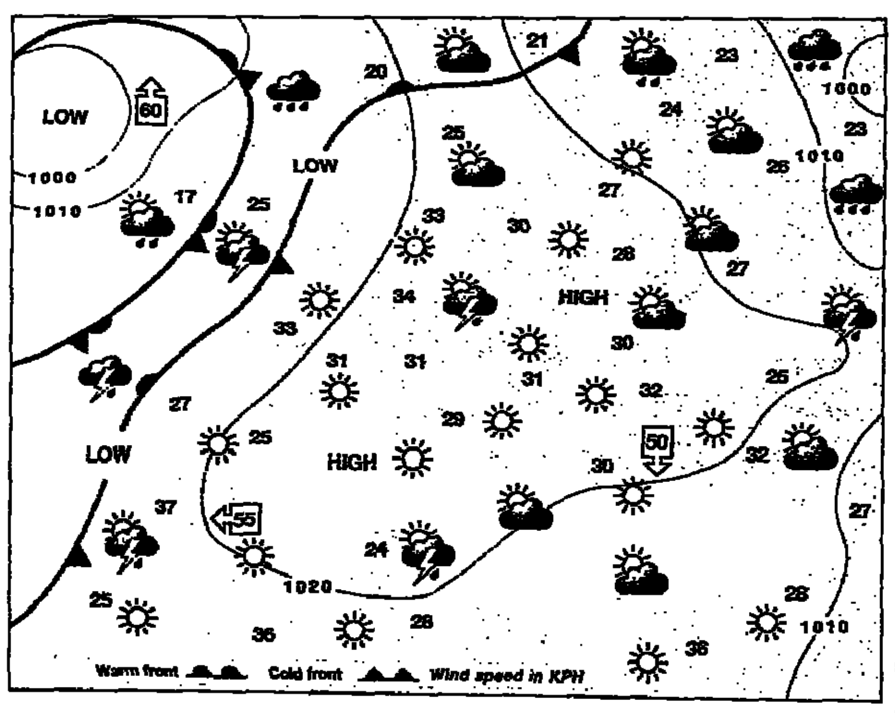
FT WEATHER GUIDE

Europe today

Western and northern Britain will be cool with a south-west wind. Coastal areas will have showers, while the south-east will remain warm and humid. Southern Scandinavia will become warmer and sunny. Most of the region, especially the north-west, will be mainly sunny and hot. The western Iberian peninsula and the Alps will have some cloud and a few thundery showers. Tunisia and southern Italy will also have thundery showers, while a large area from northern Russia to north-east Turkey will have widespread cloud and rain.

Five-day forecast

North-west Britain will remain unsettled with some cloud and rain, while the south will be mainly warm and dry. The Alps and central and eastern Europe will be summery, with isolated thundery showers in the evening. The western Iberian peninsula will have patchy cloud and some light rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	30
Algiers	sun	25
Amsterdam	sun	31
Athens	sun	30
Atlanta	fair	32
B. Aires	sun	17
B.ham	fair	25
Bangkok	fair	36
Barcelona	sun	27
Beijing	sun	32
Belfast	fair	18
Belgrade	sun	29
Berlin	sun	33
Bermuda	fair	25
Bogota	fair	18
Bombay	fair	34
Brussels	fair	32
Budapest	sun	30
C.hagen	fair	24
Cairo	sun	33
Cape Town	shower	17
Caracas	fair	31
Cardiff	fair	21
Casablanca	fair	25
Chicago	shower	18
Cologne	sun	34
Dakar	fair	27
Dallas	sun	32
Delhi	sun	39
Dubai	sun	40
Dublin	fair	18
Dubrovnik	fair	30
Edinburgh	fair	19
Faro	fair	28
Frankfurt	fair	34
Geneva	sun	31
Gibraltar	fair	24
Glasgow	fair	19
Hamburg	sun	31
Helsinki	sun	23
Hong Kong	fair	31
Honolulu	fair	32
Istanbul	sun	27
Jakarta	fair	33
Jersey	fair	25
Karachi	fair	38
Kuwait	sun	43
L. Angeles	sun	24
Las Palmas	fair	24
Lima	fair	18
Lisbon	cloudy	31
London	fair	28
Lux.bourg	fair	31
Lyon	sun	32
Madeira	shower	21
Madrid	fair	32
Majorca	sun	28
Malta	cloudy	25
Manchester	fair	21
Manila	cloudy	34
Melbourne	shower	14
Mexico City	fair	21
Miami	fair	31
Milan	hazy	31
Montreal	thund	21
Moscow	fair	23
Munich	thund	32
Nairobi	cloudy	23
Naples	fair	29
Nassau	fair	32
New York	cloudy	29
Nice	sun	28
Nicosia	sun	34
Oslo	fair	23
Paris	sun	33
Perth	sun	21
Prague	sun	31
Rangoon	cloudy	31
Reykjavik	cloudy	11
Rio	fair	24
Rome	fair	29
S. Frsco	sun	24
Seoul	shower	28
Singapore	cloudy	31
Stockholm	sun	24
Strasbourg	thund	34
Sydney	fair	17
Tangier	fair	30
Tel Aviv	sun	32
Tokyo	fair	26
Toronto	rain	21
Vancouver	cloudy	21
Venice	sun	30
Vienna	sun	30
Warsaw	sun	30
Washington	fair	32
Wellington	cloudy	12
Winnipeg	sun	26
Zurich	fair	31

FINANCIAL TIMES
COMPANIES & MARKETS
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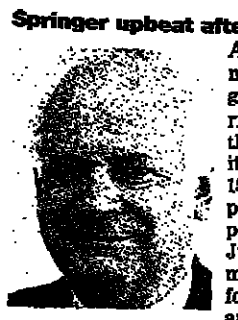
Friday June 7 1996

IN BRIEF

Court lifts hitch on Time Warner deal

One of the main obstacles delaying completion of Time Warner's $7.5bn takeover of Turner Broadcasting fell with a court decision that the deal does not breach a joint venture contract between Time Warner and the US West telecoms and cable television group. Page 18

Springer upbeat after 15% advance



Axel Springer, one of Germany's largest newspaper groups, expects turnover to rise 4 per cent this year and the improvement in net profits to beat last year's rise of 15.4 per cent, despite higher paper costs and intense competition for advertising. Mr Jürgen Richter (left), chairman, made the optimistic forecasts after Springer announced that for the first time in its 50-year history, turnover, which included revenue from sales and advertising, exceeded DM4bn ($2.6bn) in 1995. Page 16

OTE seeks ally for cellular phone venture

OTE, Greece's state telecoms monopoly, has appointed Alpha Finance, the Greek merchant bank which advised on its flotation earlier this year, and Finland Telecom, the Finnish state operator, as advisers on setting up a mobile telephony system to compete with two private cellular operators in Greece. Page 16

Mixed message from Philippine banks

The Philippine banking sector has never had it so good – average profits growth for the sector jumped to 45 per cent in the first quarter as the country's largest banks enjoyed unprecedented growth. But while lending volumes are growing apace, the same cannot be said of growth in deposit volumes. Page 17

America Online shares tumble

Shares in America Online, the leading US online information service for personal computer users, have fallen sharply over the past two days as analysts expressed concerns about mounting competition from Internet-based services. AOL was trading at $42⅞ in mid-session, down $11⅛, or more than 21 per cent, from Monday's close of $54¼. Page 18

Choppers protect Washington cherry trees

Helicopters hovering over fruit trees in the US state of Washington at this time of year are not engaged in agricultural espionage but in protecting the region's $40m ripening cherry crop. Growers send a fleet of helicopters up to blow dry the fruit, which can be ruined at this crucial point in the growing season by rain. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

NEW YORK ($)				Elf Aquitaine	338.10	+	10.80
Rises				Falls			
Bally Enter	27⅞	+	2⅜	Geophysique	295	-	9
Infinity Brd	29⅛	+	2⅛	**TOKYO (Yen)**			
La Quinta Inns	33⅜	+	2⅛	Rises			
Falls				Asahi Chem	806	+	14
Diana Corp	81¼	-	6	Kanematsu	746	+	28
Harrahs Ent	39⅛	-	2⅛	Takaoka El	816	+	14
[illegible]	41⅛	-	3⅛	Falls			
LONDON (Pence)				Daicel Chem	640	-	20
Rises				[illegible]	671	-	18
Man United	463	+	32	[illegible]	988	-	78
Medeva	261	+	30	**HONG KONG (HK$)**			
[illegible]	70	+	7	Rises			
[illegible]	268	+	36	Cathay Pac	14.80	+	0.50
[illegible]	185	+	16	Kai Ming Inv	11.80	+	0.40
Falls				Union Bank	8.40	+	0.45
[illegible]	603	-	25	Falls			
TORONTO (C$)				H B Intl	1.33	-	0.07
Rises				Sun Hung Kai	2.775	-	0.175
Canada Health	6.10	+	1.10	[illegible] Brew	2.85	-	0.175
Major Drilling	7.50	+	0.75	**BANGKOK (Baht)**			
[illegible]	6.75	+	0.65	Rises			
Falls				Hana Micro	175.00	+	11.00
Armada Res	18.10	-	4.20	Thai Reinsure	85.00	+	7.50
Bre-X Minerals	19.60	-	3.30	Unique Gas	63.00	+	4.00
[illegible]	14.50	-	2.20	Falls			
PARIS (FFr)				Food & Drinks	34.25	-	3.75
Rises				Thai Fish	42.00	-	4.50
Air Liquide	920	+	11	White Grp	31.50	-	3.50
BIC	684	+	24				
Bouygues	575	+	9				
Gan des Eaux	558	+	5				

New York & Toronto prices at 12.30. Frankfurt closed.

NEC to cut semiconductor output

By William Dawkins in Tokyo and Jack Burton in Seoul

NEC, the world's second-largest producer of memory chips, is to reduce production of its main semiconductor, the 16-megabit dynamic random access memory chip, for one month because of a collapse in prices.

This comes just a week after the market leader, Samsung of South Korea, announced a 15 per cent cut in 16-megabit D-Ram output for the second half of the year. Prices of 16-megabit D-Rams had halved since the turn of the year from $45-$50 per chip, to about $18-$20, said NEC.

NEC's move added to the gloom surrounding semiconductor producers and cast a fresh shadow over its earnings outlook after a year in which its pre-tax profits more than doubled, said analysts in Tokyo.

NEC is to cut output at three plants in Japan and one in California by 18 per cent from the present 11m 16-megabit chips per month to 9m. Plans to increase monthly output to 18m units by January have been put on hold, for review at the end of August.

In the year to March, NEC invested a record Y210bn ($1.9bn) in plant and equipment, much of it for making 16-megabit D-Rams. Rivals have done the same.

But just as the industry's latest investment cycle peaked towards the end of 1995, so did demand, weakening first in the US and then elsewhere, said NEC. World supply currently exceeds demand by about 15 per cent, it estimates.

At the same time, NEC's share price has fallen from a peak of Y1,480 last October to Y1,190 yesterday, down Y30 during the day. Other Japanese semiconductor companies' shares also fell.

Last month, NEC forecast a 10 per cent rise in consolidated profits to Y85bn for the year to next march. But Mr David Benda, analyst at BZW Securities in Tokyo, believes that might now be optimistic.

"It looks as if 16-megabit D-Rams are going to be a disaster for them," he said. He questioned whether producers would cut output as much as announced, given the need to sustain cash flow to fund depreciation on their new plants. "In some ways, it's better to let them run at a loss than to cut back," he said.

Among other Japanese chip producers, Mitsubishi Electric has postponed plans to double output to 13m units a month and says it will stop at 10m. In Korea, the LG group recently froze production at 8m units a month, rather than raise it to 10m.

● Hitachi and Nippon Steel of Japan yesterday linked up with the Economic Development Board of Singapore to establish one of south-east Asia's biggest semiconductor plants, AFP reports from Singapore.

The two companies signed an agreement to establish the plant, which will make 64-megabit D-Rams, with initial capital of S$440m (US$314.28m).

World Stocks, Page 32

AT&T to dispose of leasing division

By Richard Waters in New York

AT&T has agreed to sell its leasing and finance business, AT&T Capital, in an unusual $2.2bn buy-out which is being financed from London.

The deal will give control of the US's second-biggest equipment leasing company to GRS Holdings, a UK-based company which is financed by Nomura International, the London arm of the Japanese securities house.

AT&T has been exploring the sale of its 86 per cent-owned financing unit since last September. The disposal is part of a break-up of the US long-distance telephone group which has already seen the creation this year of a new listed company, Lucent Technologies, to assume its telephone equipment business.

For AT&T, the sale ends of one of the most successful forays into finance by a US industrial group. The unit was created 11 years ago to provide finance for buyers of AT&T equipment, but has grown to a position where two thirds of its business comes from other sources.

Mr Tom Wajnert, who will remain its chairman, said AT&T Capital planned to grow its international financing operations, which currently account for around a fifth of its $10bn of assets. With operations in 20 countries, the leasing company would seek to work closely with big manufacturers or distributors which wanted "consistent customer financing worldwide", he added.

AT&T will continue to own a separate credit card business.

The UK-based GRS, whose backers include two specialist financing companies, Prideaux of the UK and Babcock & Brown of the US, will end up owning about 85 per cent of the equity in AT&T Capital, which will keep its existing name. Another 10 per cent will be owned directly by Babcock & Brown, a San Francisco-based leasing and project finance firm, with 5 per cent owned by management.

The deal will be financed in part through a securitisation of AT&T Capital's assets, a method that would be used more frequently to finance the company's growth, said Mr Wajnert. The transaction also involves $900m of equity, and $200m of perpetual preference shares. The equity provided by GRS will be financed by a loan underwritten and syndicated by Nomura International.

Three years on, Donna Karan is again tantalising investors

Dedicated followers inspire a comeback

Three years ago Donna Karan addressed a hastily assembled press conference and, after admitting, "I'm much easier at runway shows than I am at this", announced that she had abandoned plans for her company to go public.

Ms Karan, a successful US fashion designer, was bruised by bad reviews for her latest collection and by heavy losses on a new perfume. Yet times change and last week she revealed that her company was resurrecting its flotation plans by selling 52 per cent of its shares on the New York stock market this summer to raise $213m.

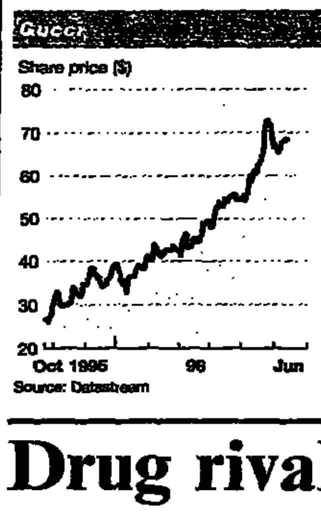
Ms Karan hopes to capitalise on the investment community's enthusiasm for fashion labels following last autumn's successful flotation of Gucci, the Italian fashion house. Gucci's share price has already trebled, and other luxury stocks such as the Estée Lauder cosmetics empire and Saks Fifth Avenue store group have since gone public. Will investors be receptive to yet another glamour issue?

"Sure they will," says Mr Edouard de Boisgelin, analyst at Merrill Lynch in London. "Luxury stocks are being snapped up like there's no tomorrow. And we're going to see more coming through after Donna Karan."

The catalyst for investors' interest is the buoyant state of the global luxury market which is enjoying levels of sales growth and profitability last experienced in the mid-1980s.

By the end of that decade economic growth faltered and the industry hit the doldrums. Its North American and European markets have since stabilised and Japan, one of the fastest-growing luxury sectors of the 1980s, is emerging from recession. At the same time, dynamic Asian economies, notably South Korea and Taiwan, have become new sources of luxury sales, as have *nouveaux riches* Russians.

The Comité Colbert, the body that represents many prestigious French luxury houses, estimates that its members had annual compound sales growth of 8.7 per cent from 1992 to 1995, against 3.1 per cent from 1989 to 1992.



Hot property: Donna Karan's high glamour is attractive to investors

However the French, the old industry leaders, have been hampered by the strength of the franc and a change in consumer taste away from formal Parisian chic to the sportier style associated with Italian fashion houses such as Gucci and Prada, and US designers – notably Donna Karan, Calvin Klein and Ralph Lauren – who have been more adept at moving into the buoyant sportswear market than their French counterparts. Most of Donna Karan's business is in her sporty DKNY women's range, which made $271m of her total net revenue of $510m last year.

The luxury industry seems set for further growth in the late 1990s as new markets come on stream in Latin America and expansion continues in Asia. Condé Nast, the publishing group, is launching a South Korean edition of Vogue, its flagship fashion magazine, next month and a Taiwanese edition in September. Mr Jonathan Newhouse, chairman of Condé Nast International, said demand for advertising was so strong that both editions should break even from the first issues. The company is now considering other Asian launches, as well as a Russian edition of Vogue.

Investor confidence has also been strengthened by management changes within luxury companies since the difficulties of the late 1980s and early 1990s. "The key to this business is management," says Mr Cedric Magnelia, analyst at CS First Boston in London. "It's all about controlling presentation, distribution and display. Companies are much more cognisant of that now."

Donna Karan has chosen a propitious moment to revive her flotation plans. Her business achieved net revenue of $510.1m in 1995, a 21.4 per cent increase on 1994, while operating income rose 46.7 per cent to $42.5m.

If the issue goes well, Ms Karan and her husband, Mr Stephan Weiss, will share $116m of the $213m proceeds with Takihyo, their Japanese investor, and will plough another $70m into reducing the company's debt. Donna Karan now faces the challenge not only of convincing Wall Street to buy shares in her company, but that her flotation plans *will* come to fruition this time.

Alice Rawsthorn

Amer warning of loss for year sends shares down 11%

By Hugh Carnegy in Stockholm

Shares in Amer, the Finnish parent of US sports equipment group Wilson crashed with all the force of a slam-dunk from its sponsorship star Michael Jordan yesterday after the company reported heavy losses in the first four months of the year and warned it would remain in the red for the whole of 1996.

At one point shares in Amer, which also owns the MacGregor golf and Atomic ski brands, fell more than 15 per cent on the Helsinki bourse before recovering to end down 11 per cent on the day at FM74.00.

Investors were shocked by the depth of the problems plaguing Amer, the world's second largest sporting goods maker, after more than a year struggling to overcome weak sales worldwide for its tennis, golf and ski equipment.

The group slid to a pre-tax loss in the first four months of FM116m ($25m), from a profit at the same stage last year of FM75m. Sales slumped 27 per cent, from FM2.2bn to FM1.6bn, and Amer said poor performance from Wilson, MacGregor and Atomic would result in a full-year loss after a FM142m profit last year.

"We are going to take action as quickly as possible," said Mr Roger Talermo, the former Finnish professional freestyle skier who moved from Atomic last month to take over as group chief executive. "Some decisions will have to be tough, but the situation requires it."

Amer was an unknown domestic-oriented cigarette maker and car importer until it swooped on Wilson and MacGregor in 1989. Today, sports equipment accounts for 70 per cent of its turnover and through Wilson it has a share of more than 40 per cent of the world market for tennis equipment. It sponsors stars such as top tennis players Pete Sampras and Steffi Graf, Michael Jordan in basketball and, in golf, John Daly and Bernhard Langer.

Since Amer decided to move into sports equipment, world markets for tennis, golf and ski equipment (it acquired Austrian-based Atomic in late 1994) have been in decline or, at best, flat.

Mr Talermo declined to say what action he would take, but Amer has signalled it wanted to sell MacGregor, which it said will remain in losses this year.

Mr Talermo said demand for tennis equipment had recovered in the US and he stressed that Atomic was benefiting from sharp growth in sales of snowboards and in-line roller skates. But demand for alpine ski equipment was still in decline, especially in Japan.

The four academic institutions which own 91 per cent of Amer's voting stock were in extended talks with a never-identified prospective takeover bidder until March, but the talks ended inconclusively. Mr Talermo said he had been offered time by the controlling shareholders to turn the company around. "Amer is not for sale," he said.

He said that he intended to spend most of his time in Chicago where Wilson is headquartered in an effort to return Amer to profits. He added that he expected to make a number of new senior executive appointments as he exerted his control over Amer.

Puma offer, Page 18

Drug rivals link for research

By Clive Cookson, Science Editor

Glaxo Wellcome and SmithKline Beecham, the main rivals of the UK pharmaceuticals industry, yesterday announced their first-ever collaboration, to investigate the genetics of antibiotic-resistant germs. The two companies had investigated partnerships with independent biotechnology companies but concluded it would be faster and cheaper to work with each other.

Researchers at Glaxo and SmithKline will be collaborating to work out the genetic sequence of several disease-causing micro-organisms. Their aim is to develop treatments for germs that are becoming resistant to the current range of antibiotics.

The companies decided independently last year that a research priority was to tackle the growing problem of microbial drug resistance. The World Health Organisation has been urging the pharmaceuticals industry to devote more resources to infectious diseases, which kill more than 17m people a year worldwide.

"The critical need for new products to treat the emerging threat of drug-resistant micro-organisms has precipitated this first scientific collaboration between Glaxo Wellcome and SmithKline Beecham," said Dr Jim Niedel, Glaxo's executive director for research and development.

"We are confident that we can identify the gene sequences faster and at a lower cost than by pursuing this work independently or by entering a collaborative arrangement with gene-sequencing biotechnology companies," he said.

Anti-infective drugs form an important part of both SmithKline's and Glaxo's product lines, and they compete vigorously in the antibiotic (for bacteria) and antiviral markets.

However, the new spirit of collaboration between SmithKline and Glaxo will go only so far. Each company will use the genetic data discovered jointly in its own separate drug development programme.

They will then "be operating independently and in open competition", SmithKline and Glaxo said.

NEWS DIGEST

Five new directors join Stet board

Five new directors yesterday joined the board of Stet, Italy's state-controlled telecommunications holding company, and existing senior management was reconfirmed, as the group underlined its readiness for further privatisation. Stet shares have weakened recently following reports that the sale of the state's 64 per cent stake in the group might be held over to the start of next year.

At yesterday's annual meeting in Turin, Mr Ernesto Pascale, reconfirmed as chief executive, did not comment directly on negotiations with international groups including Cable and Wireless of the UK and IBM of the US. But he indicated that the timing and scope of the group's ambitious programme to lay fibre-optic cable to homes across Italy might be adjusted in the face of opposition from some local authorities. Among the new directors are Mr Alessandro Ovi, a close associate of Mr Romano Prodi, the new Italian prime minister, and Mr Tommaso Vincenzo Milanese, a finance director of Iri, the state holding company which controls Stet. *Andrew Hill, Turin*

Outokumpu warns on results

Outokumpu, the Finnish mining and metals group, posted net profits for the four months to April of FM191m ($40.7m) against FM526m ($112m) last year. Earnings per share fell from FM4.53 to FM1.54. The group warned that full-year results would be lower than 1995's. The warning and disappointing figures drove the shares down 2.4 per cent, to FM81. The company blamed the fall on the "weakening market situation". Operating profits fell from FM764m to FM452m on sales down from FM5.826bn to FM5.751bn. Profits after financial items fell from FM789m to FM305m.

Base metals sales rose by one-third to FM1.629bn, while the operating loss narrowed from FM58m to FM37m. Stainless steel sales fell from FM1.938bn to FM1.677bn, with operating profits at FM337m, down from FM638m. Sales of copper products were little changed but operating profit fell from FM161m to FM133m. *AFX News, Helsinki*

Orkla pre-tax up 18.6%

Orkla, the Nordic region's biggest food and drinks producer, posted pre-tax profits up 18.6 per cent from NKr596m to NKr706m ($107.9m) for the four months to end April. Net profits rose from NKr425m to NKr497m on sales up from NKr6.331bn to NKr8.155bn.

Industrial operations' profits fell from NKr341m to NKr316m. Profits on investments rose to from NKr294m to NKr390m, corresponding to an overall portfolio return of 13.3 per cent.

The food division's operating profits rose from NKr78m to NKr134m. The beverages division made a profit of NKr45m – compared with a loss of NKr22m – due to a positive contribution from Pripps Ringnes, the joint venture in which the company holds 45 per cent. *AFX News, Oslo*

Rabobank forecasts growth

Rabobank, the Dutch co-operative bank, said it expected first-half profits to show strong growth, with the rate in the second half slowing somewhat. Mr Herman Wijffels, chairman, told the annual meeting that, in the first three months of 1996, volume growth had been very strong and that profits were clearly higher than a year earlier. *AFX News, Utrecht*

Dassault Systèmes listing

Dassault Systèmes, a leader in computer-aided design and manufacturing, is to be listed on the Paris bourse and the US Nasdaq exchange on June 28, following the decision of its owners – the Dassault aviation and industrial group, and IBM – to offer 15.2 per cent of its shares to the public. The offering, set at between FFr98 and FFr109 values the company at FFr5bn-FFr5.6bn ($964m-$1.1bn). The sale to the public will still leave Dassault Aviation with 38.9 per cent of the shares, Dassault Industries with 29.8 per cent, IBM with 8.5 per cent and Mr Charles Edelstenne, a senior Dassault group executive and president of Dassault Systèmes, with 7.6 per cent. *David Buchan, Paris*

ISS charges 'not threatening'

The $100m extraordinary charges which ISS, the Danish-based international contract cleaning group will take this year to cover problems at ISS Inc in New York, do not threaten the existence of the group, according to Mr Arne Madsen, chairman of the supervisory board. He and Mr Waldemar Schmidt, group chief executive, broke a week-long silence yesterday to rebut "incorrect information" which has appeared since the charges were announced on May 30. The charges, of which $40m are extra provisions for accident insurance claims, $30m to cover "systematic book-keeping irregularities" between 1989 and 1995, and $30m for any other problems that may appear, equal 45 per cent of ISS' group year-end equity capital.

Mr Madsen told a Copenhagen newspaper yesterday that the crisis was not threatening, because ISS made most of its money in Scandinavia and Europe "and we have a cash flow which means we could repay all our debts within two years". The need to make the provisions was "very well-substantiated", he said.

Mr Schmidt, who became chief executive last October, stated yesterday that insurance liability provisions fell short every year from 1989 to 1995, and the $40m extra provisions were therefore necessary. The provisions were not related to a reduction of legal staff at ISS Inc last year, as alleged in the Danish media. The unspecified $30m charge was to cover a possible need to make additional provisions to cover past problems. "It is in direct contradiction with the facts when it has been suggested that this further $30m is to cover present or future problems." *Hilary Barnes, Copenhagen*

Springer upbeat after 15% rise

By Judy Dempsey in Berlin

Axel Springer, one of Germany's largest newspaper groups, expects turnover to increase 4 per cent this year and the improvement in net profits to beat last year's rise of 15.4 per cent, despite higher paper costs and intense competition for advertising.

Mr Jürgen Richter, chairman, made the optimistic forecasts after Springer announced that turnover, which included revenue from sales and advertising, exceeded DM4bn in 1995 for the first time in the company's 50-year history.

Turnover rose 4.7 per cent, or DM184.2m, from DM3.95bn in 1994 to DM4.14bn ($2.7bn) last year.

Net profits rose 15.4 per cent, or DM19m, from DM123m to DM142m over the same period. The dividend will be raised by 80 pfennigs, from DM13.20 to DM14, with an additional bonus of DM3 to celebrate the group's 50th anniversary.

Springer's sales and profit margins had been under pressure last year from two sides: the continuing rise in paper prices and a struggle among all German newspaper groups and television networks to attract advertising revenue and cut costs.

Mr Richter said Springer had to pay DM130m more for paper in 1995 as paper prices increased about 30 per cent. The price of paper is expected to rise a further 10 per cent this year.

Revenue from the marketing of goods and services in Germany amounted last year to DM94.5bn, a fall of 4.9 per cent on the previous year.

Springer's advertising revenue from newspapers and magazines increased 3.5 per cent, or DM62.5m, from DM1.76bn to DM1.82bn – accounting for 44 per cent of group turnover. Sales rose 4.1 per cent, or DM68.9m, from DM1.69bn to DM1.76bn, accounting for 42.6 per cent of total sales.

Newspaper advertising rose 3.9 per cent or DM54.2m, from DM1.39bn to DM1.44bn while newspaper paper sales rose 4.7 per cent, from DM1.04bn to DM1.09bn.

Combined, newspapers accounted for 61.3 per cent of Springer's turnover.

Despite problems in Berlin, Springer has managed to increase its advertising revenue through an increasing emphasis on regional editions of its daily newspapers, particularly Bild, its mass circulation tabloid, which has a daily circulation of 4.5m.

OTE seeks ally for cellular phone venture

By Kerin Hope in Athens

OTE, Greece's state telecoms monopoly, has appointed Alpha Finance, the Greek merchant bank which advised on its flotation earlier this year, and Finland Telecom, the Finnish state operator, as advisers on setting up a mobile telephony system to compete with two private cellular operators in Greece.

OTE, which listed 8 per cent of its equity on the Athens stock exchange in March, is looking for an international telecoms operator as a strategic partner for the project, due to be launched early next year, using the DC1800 system.

The international operator would hold a minority stake in a new OTE subsidiary for mobile telephony and manage its operations. OTE has said the project would require investment of Dr120bn ($497m) over the next three years.

Alpha Finance, the investment banking arm of Alpha Credit Bank, Greece's largest private bank, and Finland Telecom were awarded the mandate in competition with CS First Boston.

However, their role has been restricted to setting up the subsidiary and outlining technical specifications for the project, leaving room for OTE to decide later on appointing an international investment bank to help select the foreign partner.

Analysts pointed out that Salomon Brothers, a lead manager in OTE's flotation, submitted an unsolicited offer to find a partner for the cellular project. OTE is expected to start procedures for choosing the international operator in September.

OTE has already paid Dr14.3bn for a licence to operate a third mobile system. Officials said the OTE mobile subsidiary would try to capture a 30 per cent share of a cellular market projected to grow from the current 350,000 to 1m by the end of the decade.

However, the project may be delayed by objections from Telestet and Panafon, the two GSM operators which have built up competing networks covering most of mainland Greece and the Aegean islands.

Telestet, in which Italy's Stet and Nynex of the US are partners, and Panafon, in which the UK's Vodafone has a stake, say the terms of their licences, awarded in 1993, provided exclusive cellular operating rights for eight years.

OTE says the government would be responsible for settling any financial claims brought by Telestet and Panafon.

European talks on digital decoder

By Raymond Snoddy in London

Most of Europe's leading media groups have been summoned to a meeting in Paris tomorrow to see if it is possible to agree on a single digital television decoder for Europe. The meeting has been called by Mr Martin Bangemann, the European Union's industry commissioner.

Participants will include Mr Leo Kirch, head of the Kirch group, which plans to launch digital TV in Germany later this year; Mr Pierre Lescure, Canal Plus chairman; Mr Thomas Middelhoff, of the Bertelsmann executive committee; and Mr Sam Chisholm, chief executive of British Sky Broadcasting.

The meeting, over lunch at a hotel near Paris, will address the fact that there could be being three, possibly four, different competing decoders or "black boxes" in the European digital TV industry. The belief is that a single decoder might do more to bring down costs and kick-start digital TV in Europe, and with it the chance to move to as many as 200 channels.

The Kirch Group is planning to launch its digital TV service later this summer with its Dbox produced by Irdeto, a technology company which is part of the Nethold group, a privately-owned information services provider. Nethold has already launched a digital service in Italy using the box.

Canal Plus uses a different black box for its recently launched digital service in France, and will probably use a near-identical box in Germany. TF1, meanwhile, has been threatening to use a different system developed by France Télécom.

BSkyB is likely to use technology produced by the News Corporation subsidiary News Datacom when it launches digital TV in the UK next year.

Mr Bangemann's officials have made clear that the commissioner had no intention of being a referee so far as the choice of any decoder was concerned, but would try to get as much commonality and co-operation as possible.

Other participants at the lunch include Mr Koos Bekker, chief executive of Nethold; Mr Fritz Pleitgen, of West Deutsche Rundfunk; and Mr Gaston Thorn, former president of the European Commission.

Ironically, the lunch will bring together Bertelsmann, BSkyB and Canal Plus, who were to have launched a digital television service to compete with Kirch this autumn. That project is now in disarray, but Canal Plus said yesterday that, unlike BSkyB, it had not pulled out. Both Bertelsmann and BSkyB would like to continue to work with the French group.

KHD rescue puts supervisory boards under scrutiny

Analysts again focus on shortcomings of German corporate governance, reports **Michael Lindemann**

When Mr Anton Schneider, head of the Klöckner-Humboldt-Deutz engineering group, finally faced the press this week, there was a jumble of figures explaining the DM1.06bn ($778m) rescue package.

That is hardly new for the Cologne-based diesel engine and plant group, which has had to be bailed out three times since 1989.

The group needed DM919m of emergency funds last year to stay in business, including a capital injection. This was followed by a capital write-down and the issue of convertible participatory certificates. As part of the deal, KHD agreed to sell its agricultural machinery business, Deutz Fahr, to Same, the Italian group.

But while KHD's management was able to explain what went wrong in January last year, Mr Schneider was lost for words when it came to questions about the motives of the KHD managers responsible for what he called the "catastrophe" this time round.

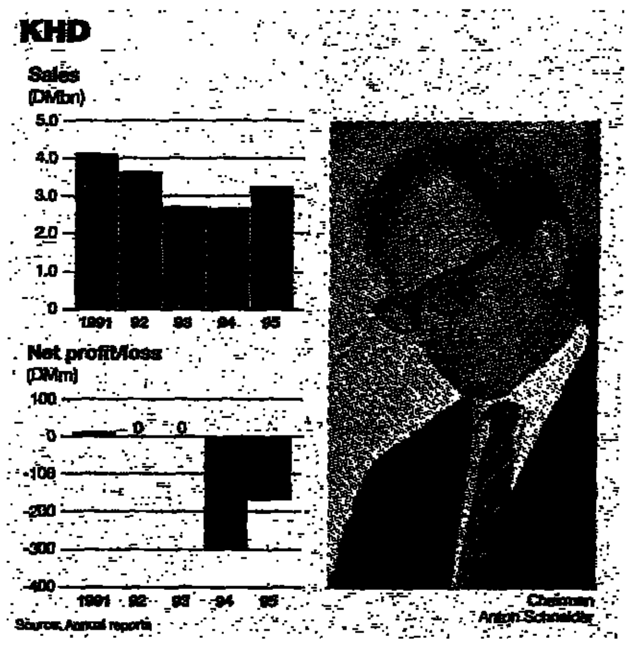
The executives who ran KHD Humboldt Wedag, the group's cement plant subsidiary, had as far back as 1993 put in bids to build three Saudi Arabian cement plants at prices up to 30 per cent below cost. The result was a loss of DM928m.

Mr Schneider said the figures had been "faked", false bills had been presented and shareholders, including Deutsche Bank which owns 47.7 per cent of the company, had been "misled".

In addition, a contract to build a cement plant can run for more than two years, which means that KHD's losses could, for a time at least, be covered up by bringing in new orders.

Auditors and analysts alike accept that such deception can occur. "If people do put their mind to it – and particularly if they do it collectively – then they can develop sufficient energy to prevent auditors and outside executives from realising what is going on," one analyst says.

But as with other recent corporate upheavals like Metallgesellschaft, Bremer Vulkan and Daimler-Benz, questions are again being asked about functions of the *Aufsichtsrat*, the non-executive supervisory board which oversees management boards in Germany.



Source: Annual reports

Chairman Anton Schneider

"The members of the supervisory board are there to ask critical questions, but they don't seem to be doing that often enough," one London-based analyst says.

There are other explanations. Mr Hans-Olaf Henkel, head of the influential Federation of German Industry (BDI), says the supervisory boards have become too slack, partly because they are filled with representatives of a given company's workforce.

"Often critical questions are not asked because you have to take account of the employees' representatives," Mr Henkel says. "For the same reason it can happen in Germany that senior executives are not always chosen for their qualifications but also because they are acceptable to the workers."

The KHD debacle also shows how lenient the German system of corporate governance is, according to Mr Robert Gibson, an analyst at London-based Robert Fleming Securities.

"I imagine [KHD took on the orders] because they thought they would get bailed out." KHD was an "interesting case", Mr Gibson says, because "we were all waiting to see whether they would throw money at the problem or show some resolve" and let KHD go bankrupt.

Deutsche Bank and 30 other creditor banks have clearly plumped for the first option.

For the first time, the city of Cologne and the state of North Rhine-Westphalia have also become involved in a KHD rescue, together putting up DM174m of the DM1.06bn package in the hope of maintaining the group's 3,425 jobs, about 5,000 of which are in Cologne.

Both are likely to be disappointed, if KHD's past history is anything to go by.

Same, the Italian group which stepped in last year to buy Deutz Fahr, is now planning to move the company's 500 or so jobs from Cologne to Same's own plant in Lauingen, in southern Germany, in order to save costs.

Since Humboldt Wedag is now to be sold, an eventual buyer will face similar pressures to move production from Cologne and merge it with facilities elsewhere. Possible buyers include Kropp Polysius and F.L. Smith Fuller, a Danish-US group.

Mr Schneider says that Deutz, all that is left of the once-proud KHD, now has "an extraordinarily good future ahead of it" with its new range of liquid-cooled diesel engines.

That is the sort of optimism one might expect. But it remains to be seen whether Deutz can win back a number of clients like MAN, the German truck maker, and Renault, the French vehicle group, which it has lost in recent years.

Matif gets go-ahead to launch wheat futures contract

By Andrew Jack in Paris

The Matif, the French futures and derivatives market, is poised to launch a contract for wheat futures in the next few weeks after winning political approval to overturn a 60-year national ban on speculation in agricultural products.

An article in a draft bill aimed at modifying the country's financial services sector will open the way for the rapid launch of the new product. The draft is at an advanced stage of discussion by the French parliament.

It comes as a number of rival European exchanges are considering launching wheat futures contracts, following modification of the price intervention scheme for cereals as part of reforms to the European Union's Common Agricultural Policy. The Netherlands began trading in a wheat contract at the start of this month.

Matif has long been favourable to the idea of launching wheat futures, but until now its path has been blocked by a 1936 law, passed by the socialist Front Populaire government, which banned stock market trading of wheat. The ruling was renewed by the Vichy regime of Marshal Pétain in 1940.

The Matif decided to proceed after the success of its colza or rape seed oil contract, launched two years ago. It also operates commodities futures contracts for white sugar and potatoes. It has closed down contracts traded in the past in cocoa and coffee.

The Matif believes that trading in wheat and colza futures offer considerable potential because there is a substantial underlying market. France is the largest and the second-largest European producer, respectively, in the two commodities.

Under current plans, the wheat contract would be traded on the open outcry market between 10.30am and 12.30pm and from 3.15pm to 6.15pm, in units of 50 metric tonnes. The furthest maturity dates would be between 15 and 20 months.

A joint committee of politicians from the French National Assembly and Senate is due to meet next Tuesday to deal with disagreements over articles in the new law, which also implements the EU investment services directive in France. However, they are believed to have already approved the abolition of the 1936 clause.

Their discussions are more focused towards the reclassification of certain stock market traders, whose status will be modified by the directive. Once the legislation is officially published, there will be a further two-week consultation period during which legal challenges can be made.

Sol Meliá adopts new strategy

Sol Meliá, the Mallorca-based hotels group ranked 17th in the world, opened a two-week offer period yesterday for an international initial public offering to place 45 per cent of the family-owned business on the market and raise some $275m in fresh capital.

The listing, scheduled for July 2, is a milestone for Spain's equity market and a significant strategic shift by Mr Gabriel Escarrer, Sol Meliá's founder and chairman, who started work when he was 16 in a Palma de Mallorca office of Thomas Cook, the UK travel agent, 45 years ago.

Although tourism accounts for 19 per cent of Spain's gross domestic product, Sol Meliá, which manages 211 resort and city hotels in 23 countries, will be the first company in the sector to be quoted on Madrid's Bolsa. The issue also represents the first time that a domestic corporation has tapped the local market to increase its funds.

It is said that Mr Escarrer, who was once an altar boy, was given his start by his local parish priest, who persuaded an elderly churchgoer to lease a 60-bed hotel she owned to the Thomas Cook office boy.

Sol Meliá

	Total revenue	Operating costs	Gross profit
1995 (Pta bn)	[illegible]	[illegible]	[illegible]
% change	21.3 %	11.1 %	45.4 %
1994 (Pta bn)	10.971	[illegible]	[illegible]
% change	18.2 %	5.0 %	62.1 %
1993 (Pta bn)	9.282	[illegible]	[illegible]

Source: Company

Barely 21 years old, Mr Escarrer noted that Mallorca was attracting increasing numbers of sun-seeking foreigners. Within a year, in 1956, he was leasing five hotels and had founded a company called Sol.

Mr Escarrer, who has lost none of his touch for spotting trends, can thank sophisticated financial engineering and the growth of the capital markets for his strategic leap forward.

In April, after three years of complex legal and accounting brainstorming, he divided his empire into two parts: Sol Meliá, a pure hotel management group, and Hoteles Meliá, a company that owns 60 hotels and manages a further 22.

The move has been modelled on a similar segregation undertaken by Marriot International in 1993.

The strategy is based on the principle that the future lies in operating hotels rather than in owning them. The main attraction of this strategy is that a hotels group is able to list its pure management division, which is a stock that has proved alluring for investors, and then use part of the capital raised to reduce the real estate risk of the hotel property owning side of the business.

Under the issue terms, the offer of 15m Sol Meliá shares – 45 per cent of the hotel group's equity – will leave the Escarrer family with 55 per cent. The price range is set at Pta2,270 to Pta2,700 a share, valuing Sol Meliá at between Pta70bn and Pta89bn ($540m-$687m). The price will be fixed on July 23.

The IPO, co-ordinated by UBS, the Swiss banking group, will offer 9m shares outside Spain, and Sol Meliá expects the foreign tranche to be fully subscribed by UK and continental European institutions.

The hotels group, which has invested strongly in Cuba, has cancelled presentations in the US because it is concerned it could could run foul of US attempts to ward off investment in Cuba under the Helms-Burton law.

If all goes to plan, some $150m of the proceeds will finance the expansion of the hotel management company. About $125m will go to Hoteles Meliá, in which Sol Meliá will acquire a 20 per cent stake, leaving the remainder of the hotel property owning company in the hands of the Escarrer family.

Tom Burns

The good and the bad for Philippine bankers

Profits and lending in the sector are soaring but analysts are worried at the weak growth in deposits, writes **Edward Luce**

The Philippine banking sector has never had it so good. Average profits growth for the sector jumped to 45 per cent in the first quarter after hitting 40 per cent for 1995 and the country's largest banks, including Metrobank, the Bank of the Philippine Islands and Philippine Commercial International Bank, are enjoying unprecedented growth.

Analysts, however, are beginning to wonder how much longer the good times will roll.

Lending volumes are growing apace, by an average of more than 40 per cent this year and as much as 75 per cent for PCIB in the first quarter and 59 per cent for Metrobank.

The bank's lending portfolios are advancing *on all fronts* with the rapid expansion in corporate profits and the emergence of a buoyant consumer lending market – notably cars and middle-income mortgages, which have both posted sales growth of more than 50 per cent in the past 12 months.

The same cannot be said of growth in *deposit* volumes. Indeed, the widening discrepancy between deposit growth and loan growth is leading *some to question* the sustainability of the banking sector's profits surge.

"The growth in lending has *been very rapid over the* past two or three years and is picking up further even now," says Mr Christopher Hunt, an *analyst at W. I. Carr in Manila.* "Deposits on the other hand are growing at quite a sluggish rate which prompts the question: where is all the money for lending going to come from?"

In the last year alone, PCIB's *loan-to-deposit ratio has risen* by 30 per cent to 110 per cent while Metrobank, the country's *largest in terms of* market capitalisation, has seen its loan-to-deposit ratio leap from 65 per cent to 102 per cent in the 12 months ended March.

BPI, owned by the Ayala Corp, the country's largest diversified holding company, has registered a similar mismatch between loan and *deposit growth*.

The sector as a whole – encompassing 41 commercial banks, *including 10 new* foreign entrants – has broadly tracked this trend.

Senior banking executives, who point out that bad loans amount to less than 3 per cent of the average total portfolio, *say accelerating growth in the* Philippine economy will allow lending growth to continue at slightly reduced rates of about 30 per cent over the next three years.

Moreover, bankers predict that growth in deposits will pick up *as branch expansion plans* gather pace.

Metrobank, for example, *which is majority-owned by* Mr George Ty, one of the country's leading ethnic Chinese businessman, is expanding its branch network by 10 per cent a year in an attempt to tap "hidden" savings in *the* provinces.

The recently privatised Philippine National Bank (PNB), *which is the country's largest* in terms of total assets, is also expanding its provincial network at about *10* per cent in the race to capture new deposits.

Few, however, anticipate deposit growth catching up with lending.

"The theory is that there are all these savings lying about in the paddy fields which banks are going to clean up," says Mr Matthew Sutherland, *chief* researcher at Asia Equity Securities.

"There might be some room for deposit growth in the provinces, but the inescapable *point is that* at some stage, either lending growth is going to have to fall or interest rates on deposits will have to rise *quite steeply.*"

With interest rates on consumer deposits ranging from 2 per cent to 6 per cent – *well* below the headline inflation rate of 10.4 per cent – banks' customers would no doubt welcome increased competition for new deposits. By contrast, rates paid on consumer loans for cars or homes remain stubbornly high, at about 17 per cent.

Banks blame the wide spreads on government "directed credit" or "mandated lending" regulations – 40 per cent of total lending must go to rural enterprises and small businesses.

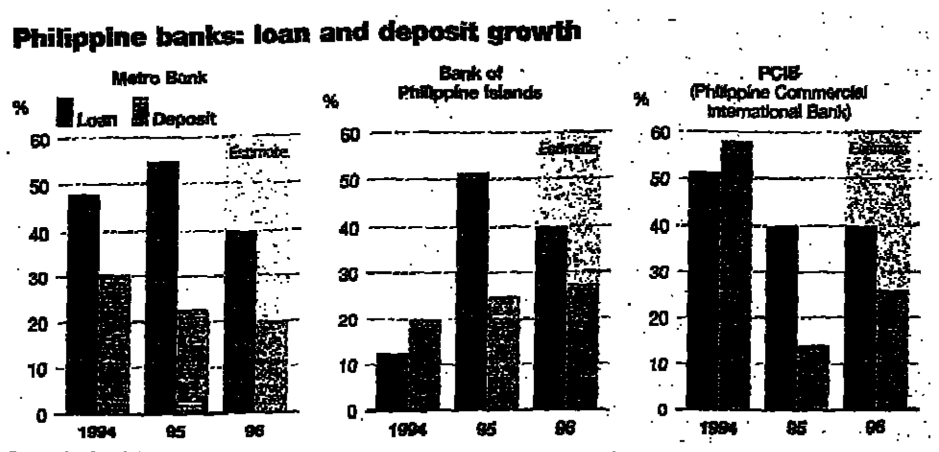
The bankers' association is also lobbying the government to reduce the reserve requirement on deposits with the central bank from 15 per cent to 13 per cent.

This, with a reduction in "mandated lending", would help reduce the cost of banking and improve the return on deposits, say bankers.

"At the moment, the intermediation cost of banking is *still* too high in the Philippines, which means that spreads between loans and deposits is wider than we would like," says Mr Rafael Buenaventura, head of the bankers' association. "Perhaps *if the government acted more* quickly we could make conventional deposits more attractive to the consumer."

Within the next two years, however, *growth in lending* volumes will almost inevitably slacken, according to analysts. At *the same time* profit margins will accordingly start to narrow.

"If lending volumes continue to advance at a much faster rate than deposits, then there would be a case for being cau*tious about the wider health of* the Philippine banking sector," says Mr William Daniel, head of *BZW's Manila office*.



Source: WI Carr Philippines

Normandy rejects new offer from Newcrest Mining

By Nikki Tait in Sydney

Mr Robert Champion de Crespigny's Normandy mining group yesterday dismissed a new merger proposal from Newcrest Mining, a fellow Australian-based resources group, as "poorly conceived, complex, unworkable and biased toward Newcrest shareholders".

The proposal would see Newcrest merge with PosGold, Normandy's goldmining offshoot, in a "dual listed company *structure*", *similar to that used* by RTZ and CRA last year. PosGold, meanwhile, would also merge with Gold Mines of *Kal*goorlie and North Flinders Mines, in which it holds significant minority stakes.

*There would then by a recip*rocal cancellation of Newcrest's 15 per cent shareholding in Normandy and "an equivalent dollar value of Normandy's post-merger shareholding in the combined *Pos*Gold/Newcrest entity".

Normandy owns 51 per cent of PosGold, while Newcrest *owns 15 per cent of Normandy* and 12.5 per cent of PosGold. The Newcrest stakes were *snapped up at a cost of* A$470m (US$378m) earlier this year.

Newcrest argues that its scheme would create a new "tier one" gold producer, by *combining its gold interests* with those of PosGold. Producing around 2.1m ounces of gold a year, the combined entity *would* be Australia's largest gold-mining house and "prospectively one of the top three in the world".

But Normandy claimed yesterday that PosGold and its associates would account for the lion's share of the merged entity and the merger terms likely to be sought by Newcrest – although not publicly outlined – would be unfavourable for PosGold investors.

Normandy also maintained that "for Normandy sharehold*ers, it is difficult to see the* attraction of losing control of PosGold without receiving an *appropriate control premium* or an equivalent re-rating. In fact, a discount to market value is the more *likely* result".

Instead, Normandy said it would like to re-submit its own merger proposal which would see a four-way merger between itself, PosGold, GMK and North Flinders.

NEWS DIGEST

Net profits halved at James Hardie

James Hardie, the Australian building materials group, yesterday announced a more-than-halved after-tax profit of A$32.2m (US$25.6m) for the year to end-March, and warned that domestic market weakness would probably mean a "flat year" in 1996-97.

Hardie's profit, struck after abnormal items, compared with A$74.6m in the previous year. Part of the fall stemmed from a A$26.3m abnormal charge, compared with *a* A$5.1m *surplus* in 1994-95. The charge covered a number of items, including rationalisation costs.

Before abnormals, the profit decline was less marked but *still significant. Hardie made* A$58.5m, 15.8 *per cent down on* last's time A$69.5m, despite a 1.5 per cent improvement in turnover at A$1.75bn.

The Australian company blamed the poor results on the "sharp drop in residential building" in its core home market. With new home building down by about 27 per cent in the year, the building boards, windows, bathroom products and pipeline operations all faced high competitive markets. At a pre-tax level, profits from the Australian operations overall were down from A$61.7m to A$33.8m.

The picture in the US was much brighter, with pre-tax profits there rising from A$21m in 1994-95 to A$37.1m. Profits from the New Zealand operations were also up at A$34.6m, compared with A$28.3m.

The company admitted that it did not see any "significant short-term improvement in the market outlook" in Australia, and anticipated a further fall in new home-building this year. In New Zealand, it predicted a static market.

The company's share remained steady at A$2.51 on news of the figures. *Nikki Tait, Sydney*

Anzoil finds gas in Vietnam

Anzoil, the Australian oil and gas exploration company, said yesterday it had made a gas discovery in northern Vietnam which was "commercially significant". The Perth-based company said drilling operations in the Hanoi Basin, 90km southeast of the capital, had produced gas in three test zones *that showed a gas resource in excess of 900 bn cubic feet*, at a depth of 3,355 metres.

"Anzoil has been examining the commercial options for gas development. A variety of options have been identified which are being pursued with potential consumers," it said. Likely buyers of the gas could be power plants, producers of urea and export processing zones needing gas for power generation, *possibly in Hanoi or in the northern port city of Haiphong*, which Anzoil said was short of energy.

Industry analysts said the find was significant in terms of the amount of gas found but questioned whether a market existed for it. Most foreign oil and gas exploration is taking place off Vietnam's southern coast and Anzoil is the only foreign company exploring for hydrocarbons on land and in the north.

Analysts say foreign companies operating in the south are likely to be able to sell some of what they find to power plants in heavily industrialised areas around Ho Chi Minh City. But in less-developed northern Vietnam, markets are less obvious, they said. "You're looking at an area that has a lot of coal available for power generation," one UK-based oil and gas analyst said. *Jeremy Grant, Hanoi*

BHP sells Dutch assets

BHP Petroleum, part of the Australian resources group, has sold a number of Dutch assets – including interests in four exploration blocks and one production asset – to a *subsidiary* of *SHV Energy of the* Netherlands. BHP said the assets comprised a 7.25 per cent interest in a block in the Dutch sector of the North Sea, plus exploration blocks in which it held a 50 per cent interest. *The sale followed a review of its* entire portfolio, the Australian company said. *Nikki Tait*

Optus completes borrowing

Optus Communications, the Australian telecommunications group due to float on the stock market *later this year*, yesterday *announced* the underwriting of a new A$2bn five-year borrowing facility had been successfully completed. This will replace the bulk of the company's existing bank facilities, and help supply *funds for the* heavy ongoing capital expenditure programme. Syndication is due to be completed by the end of June. *Nikki Tait*

New chief for Macao telecoms

Companhia de Telecommunicacoes de Macau (CTM) said it has appointed Hongkong Telecommunications' chief executive, Mr Linus Cheung, as *chairman*. It said Mr Cheung would be *responsible* for the development of the telecommunication business in both Hong Kong and Macau.

CTM is a private organisation, with Cable and Wireless holding 51 per cent, Portuguese *Marconi 28 per cent, Citic Pacific 20 per cent*, and the Macau government 1 per cent. *AFX-Asia, Hong Kong*

NEC president

Mr *Hisashi* Kaneko, president of NEC, was given an incorrect first name in the international edition of the FT on Wednesday.

America Online shares tumble on analysts' fears

By Louise Kehoe in San Francisco

Shares of America Online, the leading online information service for personal computer users, have fallen sharply over the past two days as analysts expressed concerns about mounting competition from Internet-based services.

AOL was trading at $42⅞ in mid-session yesterday, down $11⅛, or more than 21 per cent, from Monday's close of $54¼.

AOL now stands alone as the only large consumer-oriented online service that has not announced plans to convert its services to Internet standards so that they can be accessed using a standard Web browser program, such as Netscape's Navigator.

This follows the recent announcement by CompuServe, the second largest online service, that it would switch to Internet software, as well as earlier moves by Prodigy, the Microsoft Network and AT&T's Interchange services, to adopt Internet standards.

Internet-based information services, most of which are free of charge, and fixed-rate Internet access services were an increasing challenge to AOL, which charges subscribers according to how much time they spend online, industry analysts said.

Mr David Readerman, an analyst at Montgomery Securities in San Francisco, downgraded AOL from "buy" to "hold" on Tuesday, noting that the service would come under increasing competition.

Unlike its competitors, AOL depends upon proprietary technology and subscribers must use a special program to access the service. This means that AOL must spend heavily on distributing disks to would-be subscribers.

"We still believe in the longer-term viability of AOL's branded consumer online service, but it must now adjust for the Internet," Mr Readerman wrote in a research report. He noted that an anticipated seasonal slowdown in AOL's business over the summer "sharply contrasts to the uninterrupted continued boom in Internet activity".

Mr Jeff Goverman, of Cowen, cut his forecast for US subscriber growth to 400,000 for the current quarter, down from a previous estimate of 750,000. Last month, AOL said it had added 900,000 new subscribers during the quarter ended March 31, to reach a total of 5.5m in the US.

In a move to counter Internet competition, AOL recently announced a pricing scheme that reduced online costs for heavy users of the service. However, analysts were concerned the new prices could affect revenue growth. During the first quarter, AOL subscriber revenues tripled to $285.5m. AOL has also improved the terms of offers to new subscribers, with 15 free hours on the service, versus the 10 free hours it had offered.

AOL has reached an agreement with Microsoft, which will incorporate an AOL icon on the menu screen of its Windows 95 PC operating system so that subscribers can click on the icon to reach the online service.

Despite concerns about Internet competition, AOL is rapidly expanding in Europe and last month it announced an alliance in Japan to launch a Japanese-language service.

Court dismisses US West suit against Time Warner

By Christopher Parkes in Los Angeles

One of the main obstacles delaying completion of Time Warner's $7.5bn takeover of Turner Broadcasting fell yesterday with a court decision that the deal does not breach a joint venture contract between Time Warner and the US West telecoms and cable television group.

The link, which will result in the formation of largest media and entertainment group in the world, still faces possible Federal Trade Commission objections because of the partners' potential for market dominance.

The cable television market is likely to be an area of special concern to the investigators, not least because of a substantial "passive" stake in the merged groups which would be owned by Tele-Communications Inc, the biggest cable operator in the US.

Mr John Malone, TCI's chairman and chief executive, has frequently locked horns with industry regulators. However, he has appeared more conciliatory lately, and has told analysts he was prepared to be flexible in the interests of completing the Time Warner/TBS deal.

In any case, a complete block on the merger is unlikely, and any FTC concerns – as in the case of last year's deal merging Capital Cities/ABC into Walt Disney – could probably be met by selective disposals or spin-offs.

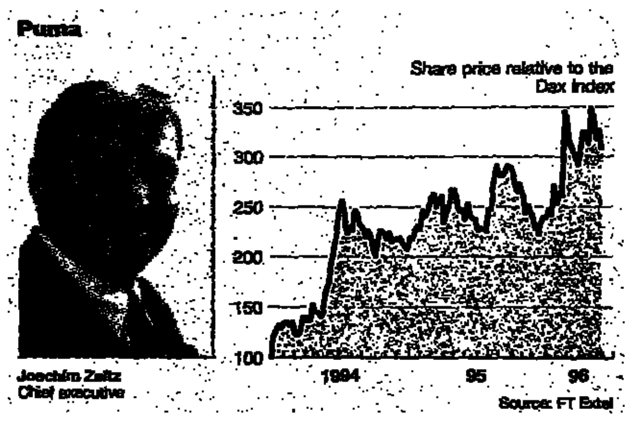
Time Warner executives, consistently confident that the US West suit would be thrown out, expect FTC clearance and completion of the deal by the autumn.

Depending on FTC opinions, the connection with US West could continue. Time Warner signed a partnership deal with the Denver-based cable company in 1993, when US West paid $2.5bn for a 25 per cent stake in Time Warner Entertainment.

All US West's arguments that its partnership rights were violated and that Time Warner was obliged to consult it before moving on TBS were dismissed by a Delaware court.

Puma's stamina in doubt as race for growth begins

The German sports shoemaker has cut costs. Now it is confident it can boost sales, says **Paul Abrahams**



Joachim Zeitz
Chief executive

Puma's shares have been on the fast-track. Since Mr Joachim Zeitz became the German sports shoe company's chief executive in 1993, the stock has risen 136 per cent. Now, Proventus, its Swedish majority shareholder, is selling a potential majority of the company through an international offering. The issue could increase the proportion quoted from 17.5 per cent to 75 per cent.

Investors are puzzling whether the company's extraordinary progress is sustainable, or whether it could be about to run out of steam. Most of the progress has been driven by cost-cutting, where Mr Zeitz has an impressive record. Now the group must show it can grow sales.

A 50 per cent reduction in personnel in Germany, and the transfer of almost all production to Asia, helped take the group from a net loss of DM68m in 1993 to a DM25m ($16.3m) profit in 1994. Last year, Puma made DM13.5m.

More recently, the the group has boosted its stock by converting its preference shares into ordinary shares, simplifying the capital structure. An earlier than expected dividend also helped. Debt has been reduced, helped by strong cashflow and Proventus' decision to waive part of a loan, and the company hopes to cut debt further through a capital increase at the same time as the offer. Mr Zeitz reckons debt should be eliminated by the end of the year.

He insists the company can expand through sales growth, which in 1995 was only 6 per cent. "There's tremendous brand awareness, which just isn't matched by sales," he explains. In Europe the company faces considerable challenges. It has only 7 per cent of the market – compared with 4 per globally – and the big US manufacturers are looking to increase market share, particularly in the soccer market, an area where Puma is strong. This could threaten European profits – nearly a quarter of last year's group total.

However, the biggest problem is in the US, which represents half the world's sporting goods market. Despite strong brand awareness, but market share has fallen from 6 per cent in 1985 to about 0.5 per cent last year. The company hopes to emulate Adidas, its German rival based in the same home town of Herzogenaurach, whose US sales leapt from $150m in 1993 to $550m last year.

To reinforce its US presence, in January Puma bought its north American unit from its Swedish parent for a book value of about $100,000. It has also installed new management, led by Mr Herbert Elliott, the Australian 1,500m Olympic gold medallist who previously led Puma's Australian operations.

The main problem, says Mr Zeitz, is gaining shelf-space at retailers. But he believes Puma's new polyurethane technology for running shoes will allow the company to build sales, and take market share from Nike, which has about 30 per cent of the US market, and Reebok with about 20 per cent.

What Puma calls "unique cell technology" allows the polyurethane to keep 90 per cent of its original cushioning for up to 600 miles, against 300 miles for conventional foam.

"Footlocker, one of the leading US sport-shoe chains, told us it was the most significant advance in mid-sole technology for eight years," claims Mr Zeitz. "That should help us get on to the shelves."

Nevertheless, Puma could struggle: marketing spend by the company and its franchisees is tiny, only DM70m a year. In 1994, the last year with available figures, UBS estimates Nike spent about DM700m on marketing, Reebok DM550m, and Adidas DM443m.

Mr Zeitz concedes its marketing effort is relatively small, but should be helped by the additional cash from the capital increase and by better targeting. The US operations are unlikely to be profitable until 1998, however.

The stock is trading on some fancy multiples. UBS estimates the company's prospective price-earnings ratio for 1997 and 1998 is at a 15 per cent premium to Adidas, and an 11 per cent premium to the German market.

Although Mr Zeitz and his team have proved dynamic, such ratings demand impressive growth from a group that remains a minnow in the sports-shoe market.

Keebler to merge with Sunshine Biscuits

By Tony Jackson in New York

Keebler, the US biscuit company formerly owned by United Biscuits of the UK, is to merge with its old rival Sunshine Biscuits to form the second biggest biscuit maker in the US. The merged company will have sales of about $2.1bn and 23 per cent of the market by volume.

Nabisco, the market leader which is part of the RJR Nabisco tobacco group, has an estimated 36 per cent market share.

Sunshine, number three in the market after Keebler with sales of about $600m, has been owned by GF Industries, a private US company, since being sold by American Brands in 1987. Keebler, with sales of $1.5bn, was bought this year in a joint purchase by Flowers Industries, a quoted US food company, and Artal of Luxembourg.

As part of the deal, GF Industries will become a minority holder in the consortium. Terms were not disclosed.

The deal means the US biscuit market will be close to a duopoly. The next biggest manufacturer, President's Baking, is only a quarter the size of the merged Keebler-Sunshine business.

Keebler said the deal combined its strength in chocolate chip, shortbread and fudge cookies with Sunshine's in sandwich cookies.

Keebler, bought by UB in the early 1970s, formed the basis of the UK group's international expansion. However, it ran into trouble in the early 1990s, with management upheavals, retrenchment and heavy restructuring charges.

AES and IVO lead in Hungary power tenders

By Virginia Marsh in Budapest

AES Corporation of the US and a consortium led by Imatran Voima (IVO) of Finland have emerged as the front-runners for majority stakes in two power generators offered at tender by Hungary's privatisation agency last week.

It is believed only four western utilities made bids for stakes of 81 per cent and 74 per cent in the Tisza and Budapest companies respectively.

Minority stakes in the two companies were offered in the first round of energy sector privatisation last year but failed to find buyers, along with three other non-nuclear generators. However, Hungary raised nearly $2bn from the sale of stakes in 14 other electricity and gas utilities, mainly to large German and French companies.

An evaluation committee is believed to have recommended that AES's bid for Tisza, the larger of the two generators, be accepted ahead in preference to offers from PowerGen of the UK and Steag, a German power company.

Like AES, PowerGen also bid for Tisza last year, as well as for two other generators but its offers were turned down as they were conditional. PowerGen already owns a local independent power producer.

The Tisza acquisition would be the first by AES, a large US power generator, in Hungary. The company, which began to work in Hungary in 1989, entered three unsuccessful bids in the autumn.

A consortium of IVO, Finland's largest power producer, and Tomen of Japan was the only bidder for the Budapest generator, which has a loss-making district heating operation. Last year, IVO acquired a majority stake in Eroterv, Hungary's largest energy engineering company, and it also has a local power generator maintenance joint venture. Its bid was conditional and negotiations on several issues are expected to take place soon.

The authorities are expected to make important decisions on energy prices and other regulatory issues in the coming weeks. A local lawyer said yesterday that, without the planned modifications, several of the development projects planned by existing investors in the sector would not be able to be financed.

NEWS DIGEST

Genset raises $98m with biotech IPO

Genset, the Paris-based biotechnology group, yesterday raised $98m in the largest biotechnology initial public offering for a decade. Genset's offering of 5.4m American Depositary Shares were priced at $16 per ADS, said the underwriter, CS First Boston. The number of ADSs in the offering had been raised last week from the 4.2m indicated in the prospectus to 5.4m.

The estimated price range had also been raised, from an initial range of $12-$15 to $15-$17 per ADS. Each ADS represents the right to receive one-third of one ordinary share. Each ordinary share was priced at FFr249.02, the underwriter said. The company is engaged in the analysis of the human genome. Its objective as stated in the prospectus is to apply its genomics technology to discover drugs for certain common diseases such as prostate cancer, schizophrenia, osteoporosis and dermatological diseases. *Reuter, New York*

Glaucoma drug cleared by FDA

Pharmacia & Upjohn, the pharmaceuticals group, said the US Food and Drug Administration had given it permission to market its Xalatan anti-glaucoma solution (latanoprost) in the US. It is awaiting clearance in Europe, Japan, Australia and Canada.

The company said Xalatan represented a fresh approach to the treatment of glaucoma, a disease that affects 2m Americans and causes more than 20 per cent of the world's blindness. *AFX News, Stockholm*

DFR in legal row on Inco merger

Diamond Fields Resources, majority owner of the Voisey's Bay nickel-copper-cobalt property in Labrador, has said it is taking legal action in response to a suit filed in Texas challenging the C$4.3bn (US$3.15bn) merger of DFR and Inco. DFR would not confirm it was countersuing three Texans trying to block the merger and claiming ownership of the property, nor would it say what legal proceedings were being taken. DFR and Inco said they were not now "in a position to determine when the acquisition of DFR by Inco will be completed". Neither company would comment further. *Robert Gibbens, Montreal*

Kimberly-Clark divests Scotties

Kimberly-Clark, the US tissue and nappy group, has sold its Scotties brand tissue business in the US to Canada's privately controlled Irving Group for an undisclosed sum. The deal includes a tissue products mill in New York state and a licence to market products across the US. The sale was required by the US Justice Department after Kimberly-Clark's US$9.4bn acquisition of Scott Paper last December. Analysts expect Kimberly-Clark to sell its 51 per cent interest in Scott Paper of Canada by the end of the year. *Robert Gibbens*

Newbridge ahead 28% in quarter

Newbridge, the Canadian telecommunications equipment maker, improved fourth-quarter earnings 28 per cent with strong sales of computer networking products. Net profit for the three months ended April 30 rose from C$51.8m, or 63 cents a share, a year earlier, to C$66.6m (US$48.7m), or 79 cents a share, on revenues of C$272m, up 19 per cent. The latest quarter included a 10 cents a share special gain from an asset disposal.

For the full year, Newbridge earned C$202.9m, or C$2.45, up 8 per cent from C$188.4m, or C$2.31, on revenues of C$921m against C$800.5m. The order book is at a record level and Newbridge has allied itself with Germany's Siemens to speed up development of high-capacity ATM networks.

Newbridge stock has reached nearly C$100 in the Canadian market and the company confirmed it may soon consider a stock split. *Robert Gibbens*

BCE sells bank stake for C$330m

BCE, Canada's biggest telecommunications group, has sold 10m Bank of Nova Scotia shares via a secondary offering for a total C$330.45m (US$242m), or C$33.45 a share. Scotia Capital Markets and RBC Dominion Securities were underwriters. BCE acquired the bank stake in 1994 in part settlement for the sale of Montreal Trust to the bank. The original price was C$280m. *Robert Gibbens*

Repsol buys 37.7% of Astra

Repsol, the Spanish energy group, has bought a 37.7 per cent controlling stake in Astra, the Argentine oil group, for $360m. Astra said it had agreed to transfer to Repsol an 18.4 per cent stake as well as 100 per cent of Caveant SA, holder of 19.3 per cent of Astra's shares.

Meanwhile, Repsol confirmed that Mr Oscar Fanjul, chairman, would resign after today's annual meeting. He will be replaced by Mr Alfonso Cortina, chairman of Portland Valderrivas and a director of Banco Bilbao Vizcaya, who was made a Repsol director yesterday. *AFX News, Madrid/Reuter, Buenos Aires*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 07.06.96: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.49	12.31	13.42
0100	14.71	8.86	8.98
0130	14.71	12.17	13.28
0200	14.71	12.31	13.42
0230	14.71	12.31	13.42
0300	14.71	12.31	13.42
0330	14.71	18.77	19.88
0400	15.27	18.77	19.88
0430	15.27	18.77	19.88
0500	14.71	18.77	19.88
0530	15.20	14.76	15.87
0600	16.02	12.14	13.25
0630	16.02	12.14	13.25
0700	18.18	17.07	18.18
0730	16.63	22.77	23.88
0800	17.50	23.17	24.32
0830	18.91	30.93	32.09
0900	36.10	30.98	32.15
0930	43.96	24.29	25.45
1000	45.33	24.30	25.46
1030	48.59	24.29	25.45
1100	52.82	24.29	25.45
1130	55.23	24.31	25.48
1200	57.50	48.52	49.70
1230	69.33	48.49	49.68
1300	68.16	48.42	49.57
1330	49.36	23.27	24.38
1400	38.59	22.77	23.89
1430	35.59	30.80	31.92
1500	35.14	17.99	19.10
1530	34.74	17.99	19.10
1600	32.92	17.17	18.28
1630	33.41	30.64	31.75
1700	33.64	49.39	50.50
1730	38.48	49.39	50.50
1800	29.77	49.38	50.50
1830	17.69	20.32	21.43
1900	17.54	17.17	18.28
1930	17.37	17.17	18.28
2000	17.02	16.86	17.97
2030	17.02	9.06	9.06
2100	17.02	9.09	9.09
2130	17.02	23.90	25.01
2200	19.97	23.90	25.01
2230	19.97	23.90	25.01
2300	19.97	21.77	22.88
2330	16.52	21.77	22.88
2400	16.52	16.80	17.91

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.30/MWh becomes 1.830p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0113 945 6789 between 8:30am and 5:15pm Monday to Friday.

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VOLKSWAGEN AG

Wolfsburg

Payment of Dividend

Notice is hereby given to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 5th June, 1996, a dividend for the financial year ended 31st December, 1995 will be paid, as from 6th June, 1996 at the rate of DM 6.00 per ordinary share of DM 50 nominal value against presentation of coupon No. 35 and DM 7.00 per eligible preferred share of DM 50 nominal value against presentation of coupon No. 10.

All payments will be subject to a deduction of German tax at a rate of 25 per cent. and a 'solidarity contribution' of 7.5 per cent. on this amount and, in the absence of evidence as to the recipient's non-residence in the United Kingdom, a further deduction of United Kingdom income tax at a rate of 5 per cent.

Coupons should be lodged with:

S.G.Warburg & Co. Ltd.
Paying Agency, 2 Finsbury Avenue, London EC2M 2PP
from whom appropriate claim forms can be obtained.

Coupons will be paid at the rate of exchange on the day of presentation.

Under certain conditions, shareholders residing in the United Kingdom can claim a partial refund of the deducted German tax and the 'solidarity contribution' in accordance with the double taxation treaty between the United Kingdom and Germany. The German tax and the 'solidarity contribution' are chargeable in accordance with that treaty is treated as a credit and can be set against the income tax liability of a shareholder resident in the United Kingdom. The Company's United Kingdom paying agent will, upon request, provide shareholders or their agents with the appropriate form to enable a refund request to be made to the German taxation authorities.

Wolfsburg, June 1996 — The Board of Management

Merrill Lynch & Co., Inc.

£100,000,000

Floating Rate Notes due 2001

For the interest period from 4th June, 1996 to 4th September, 1996, the Notes will carry a Rate of Interest of 6.325 per cent. per annum. The Coupon Amount per £1,000 Note will be £15.90; £10,000 Note will be £158.99 and £100,000 Note will be £1,589.89 payable on 4th September, 1996.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London — Agent Bank

BANQUE NATIONALE DE PARIS

Programme for the Issuance of Debt Instruments

USD 25,000,000

Subordinated Floating Rate Notes due 2006

Series No.58 Tranche 1

Notice is hereby given that the rate of interest for the period from June 7th, 1996 to September 9th, 1996 has been fixed at 5.78516 per cent. per annum. The coupon amount due for this period is USD 151.06 per denomination of USD 10,000 and is payable on the interest payment date September 9th, 1996.

BNP — The Fiscal Agent, Banque Nationale de Paris (Luxembourg) S.A.

COMPANIES AND FINANCE: UK

Acquisition of former Fisons businesses from Rhone-Poulenc Rorer

Medeva makes $400m buy

By Jenny Luesby

Medeva, the pharmaceuticals group, yesterday unveiled the $400m acquisition of former Fisons businesses from Rhone-Poulenc Rorer. The deal will lift its annual sales by a fifth to more than £320m ($486.4m).

The acquisition, to be financed in part by a placing and offer on a 1-for-6 basis at 220p, to raise $109m, was welcomed by investors. The shares closed up 30p at 261p.

Mr Bill Bogie, chief executive, said the acquisition, which covers much of Fisons' former US drugs business and some French drugs was "bang in line" with Medeva's strategy of buying under-exploited drugs and infrastructure.

Medeva is paying $370m to buy Rochester, which comprises Fison's former US headquarters in New York and 10 branded drugs acquired by Fisons in 1988.

The company said the potential benefits of acquiring the Rochester business had become apparent during last year's exploratory merger talks between Medeva and Fisons.

The business recorded an operating profit of $54.4m last year, on sales up 34.5 per cent at $99.7m.

Its three leading brands – the respiratory drug Tussionex, the appetite suppressant Ionamin and the diuretic Zaroxolyn – accounted for four-fifths of sales.

Medeva said it hoped to accelerate the growth of all of Rochester's drugs by increasing the resources devoted to marketing and technical support. It would be able to do this immediately, said Mr Bogie. The launch of generic competition last year had left its main sales force in the US underemployed, he said.

Medeva is to pay $30m for several branded drugs in France. Mr Bogie said the business would provide instant critical mass for the group's lossmaking French arm.

Analysts said the businesses were likely to be earnings enhancing during their first full year. One said they would lift group sales by 23 per cent, profits by 40 per cent, and add 2 per cent to the long-term growth rate.

The group yesterday forecast pre-tax profits of about £33m in the six months to June, and an interim dividend of 1.65p, for which the new shares will qualify.

The acquisition will take the group's pro forma gearing to 150 per cent. However, Mr Garry Watts, finance director, said it expected debt to have fallen to £100m by 1997.

Analysts forecast pre-tax profits in 1997 of between £125m and £135m.

Brendan Corr

Bill Bogie (left) with Garry Watts: acquisition is 'bang in line' with group strategy

BBA to decide on hostile bid for Lucas

By Tim Burt

BBA Group, the engineering and textiles manufacturer, will decide today whether to launch a hostile takeover bid worth more than £2.4bn ($3.64bn) for Lucas Industries, the automotive and aerospace equipment group.

Mr Roberto Quarta, BBA chief executive, is planning to tell a board meeting that the group has won sufficient shareholder support to mount a bid which would scupper Lucas's proposed £3.2bn merger with Varity Corporation of the US.

Six large institutional shareholders canvassed by BBA are understood to have given their tentative backing for a takeover, although some have expressed misgivings over whether Lucas is the best target. The group is meeting two further shareholders this morning before putting its case to the board.

Most City analysts remain sceptical about the industrial logic behind BBA's approach. But several said yesterday they now expected it to launch one of the largest hostile takeovers seen in the automotive industry in recent years.

Lucas has drawn up detailed plans to defend itself against what it claims is a "financial engineering exercise" by BBA.

In the event of a bid, it is likely to cite the backing of some of the world's largest car makers for its tie-up with Varity, North America's largest brakes manufacturer.

The company is also thought to be close to buying a Spanish friction materials business, which would bolster its after-market division.

BBA, which wants to merge Lucas's brakes business with its own friction materials operation, is thought to be considering an offer funded with a mixture of paper and debt.

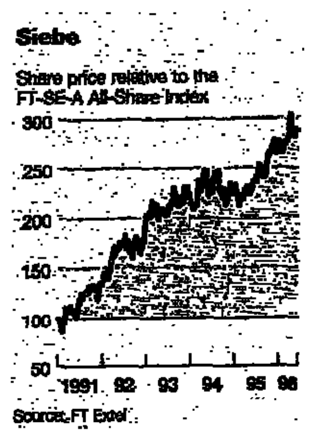
If it offered 265p-275p a share for Lucas – valuing it at £2.45bn-£2.5bn – it could finance the deal with £600m of debt and by issuing new shares to raise the remainder.

Lucas shares closed unchanged at 254p – valuing the company at £2.24bn. BBA shares closed up 7½p at 303p.

LEX COMMENT

Siebe

Not many engineering companies can claim to be winning market share in growing markets. But Siebe, which yesterday unveiled a 20 per cent jump in profits on a 13 per cent rise in underlying sales, is one of them. Much of the group's recent success has been due to its Foxboro unit, which continues to power ahead. Foxboro's I/A factory automation system is growing at nearly 30 per cent annually and has doubled its market share in the past four years. Both Honeywell and Emerson are launching rival products but Siebe has stepped up its R&D investment to maintain its two-year technological lead.



Siebe is also right to be bullish about the US, which accounts for 45 per cent of group turnover. After declining during 1995, volumes in temperature and appliance controls are up more than 10 per cent this year. This division is being reinforced by Unitech – bought for £520m in April – which also brings Siebe valuable exposure to the Far East. Unitech's main power supplies business is growing at 15 to 20 per cent annually, though it will suffer somewhat from the downturn in demand for semiconductors this year. But that should be more than made up by £5m to £10m of short-term cost savings.

The increase in research spending was partly responsible for flat operating margins of 14 per cent. But with healthy cash flow and strong interest cover Siebe should continue with its diet of bolt-on acquisitions. On a 15 per cent premium to the market average, the shares are cheaper than those of TI Group and Smiths Industries and worth buying.

Mayflower makes £139m cash call for US purchase

By John Griffiths

Mayflower, the expansionist UK engineering group seeking to become a global vehicle systems supplier and vehicle builder, is launching a £139m ($211.3m) rights issue to help fund the $266m cost of a US vehicle suspension parts company.

The purchase of New Jersey-based Pullman, whose only operating business, Clevite, makes vibration control components, is the latest in a string of acquisitions by Mayflower since it was created by a reverse takeover of Triangle Trust – maker of Tri-ang toys – in 1989. It comes less than nine months after Mayflower paid £25m for Alexander Walker, the bus builder.

The market welcomed the announcement and Mayflower's shares rose 12½p to 129p.

The 7-for-10 rights issue, at 95p a share, is underwritten by BZW and Merrill Lynch. Shareholder approval will be sought at an EGM on June 24.

The balance will be financed by an $80m bank loan.

Mayflower sees Clevite as a logical addition to its vehicle engineering business. It makes suspension bushes, engine mounts and tie-rods for the big US car and truck makers. Such components are becoming more sophisticated and, in some cases, electronically powered as US vehicle makers seek to improve ride and handling qualities. As a result, Clevite's earnings per vehicle have been rising sharply.

Siebe plans £100m spend on further buys after 20% rise

By Tim Burt

Siebe, the international controls and temperature appliances group, yesterday reported a 20 per cent increase in annual profits despite difficult trading conditions in many of its largest markets.

The company, which claims to be Britain's largest diversified engineering group, saw pre-tax profits increase from £275m to £331m ($503m) on sales of £2.6bn (£2.15bn).

Mr Allen Yurko, chief executive, described the results as "top of the pile" in the UK engineering sector, adding Siebe had proved itself a credible challenger to US giants Honeywell and Emerson.

He said it would maintain its aggressive strategy following April's £520m takeover of Unitech, the UK controls and power supplies business. The group would spend about £100m this year, funded from cash generation. Siebe, which spent £197.6m on acquisitions in the year to April 6, has generated almost £500m of cash from its manufacturing operations in the past four years. Mr Yurko predicted that figure would grow following the integration of Unitech, which offers better access to Asia and the Pacific Rim.

Sales in emerging markets, including South America and eastern Europe, rose by 21 per cent to £487.7m with an order backlog of £788.6m. Strong demand there helped offset sluggish conditions in North America and western Europe.

Partners differ on Do-It-All future

By Christopher Brown-Humes

Boots, the retail and healthcare group, yesterday suggested that there were differences of opinion with WH Smith over the future of Do-It-All, their jointly owned DIY company.

While WH Smith is signalling a willingness to sell its 50 per cent stake, Lord Blyth, the Boots chief executive, said yesterday his main aim was to "maximise value" in the company. He confirmed that there had been approaches from potential purchasers.

His comments came as Boots unveiled pre-tax profit for the year to March 31 of £507.7m, against £849.7m which benefited from a £320.1m profit on disposal of businesses.

Boots' share of losses at Do-It-All rose from £6.3m to £10.1m after an 8 per cent fall in sales. Lord Blyth acknowledged that the DIY chain had struggled, but said: "This is not the time to be selling Do-It-All, unless there is a special situation."

COMPANIES AND FINANCE: UK

Mister Minit first to purchase Facia stores from the receiver

By William Lewis and Simon London

Mister Minit, a Swiss-based privately owned retail group, yesterday became the first company to buy some of the stores which used to form part of the Facia Group, now in receivership.

Grant Thornton, receivers to Salisburys, the handbag and luggage chain, announced that Mister Minit had bought 39 Salisburys stores, some stock, and taken on about 280 staff.

Mister Minit refused to disclose the amount it had paid, but disclosed that the 39 shops would be turned into Gullivers, a competitor to Salisburys owned by Mister Minit. Salisburys' name, goodwill, business and a further 130 shops remain for sale, Grant Thornton said.

Earlier this week Grant Thornton, appointed receiver on Saturday, made a third of the staff at Salisburys head office in Crawley redundant, leaving about 100.

KPMG, receivers to Facia Group and its subsidiaries, said yesterday that it hoped to make a sales announcement soon. Price Waterhouse is the administrator to 380 shoe shops previously owned by Sears and associated with the Facia Group.

The 500 stores being handled by KPMG have about 100 different landlords. The receivers have contacted each of the landlords and asked them not to take action in the hope that the clothing chains can be sold as going concerns.

In certain circumstances, landlords have powers to seize stock in lieu of rent which has not been paid. Millions of pounds of rent are due on June 24, the next quarter day. Landlords are likely to wait until then before deciding what action to take.

Sears says that it is the largest single creditor of the 380 shoe shops in administration. Its exposure is £29m, but includes approximately £21m-worth of stock, the title of which would revert to Sears in default.

Meanwhile, Texas American Group of the US, which announced ahead of the insolvency proceedings that it had "entered into an agreement to acquire the assets and liabilities of Facia", yesterday stated that "following further due diligence, it will not proceed any further".

TAG said that until last Friday, it "had not been made aware of any circumstance" which would lead to insolvency proceedings at Facia and that information given to it by Facia was "totally inconsistent with the true position of Facia".

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Airsprung Furniture	Yr to Mar 31	86.3 (84.9)	5.38 (6.81)	13.9 (18.2)	3.7	July 26	3.7	5.4	5.4
Boots	Yr to Mar 31	4,126 (4,308)	507.7¶ (649.7¶)	35.8 (65.7)	12.8	Aug 23	11.65	18.5	17
Cedardata	Yr to Mar 31	12.1 (8.93)	4.38 (3.57)	9.5 (7.9)	2.69	July 19	2.2	4	3.25
Channel Is'lds Comm ♦	Yr to Mar 31	9.62 (8.12)	1.37 (1.17)	8.46 (7.11)	2	Oct 1	1.75	3.25	2.75
Chubb Security	Yr to Mar 31	770.3 (728.5)	97.1 (89.1)	20.96 (19.2)	5.8	Aug 28	5	8.4	7.32
CPL Aromas	Yr to Mar 31	28.7 (21.2)	2.93 (2.04)	18.4 (14)	3.2	July 31	2.5	4.8	3.7
Collier's	Yr to Feb 25♦	6.08 (6.77)	0.361‡ (0.259‡)	1.19 (1.03)	0.5	Oct 1	0.5	0.5	0.5
Davenport Knitwear	Yr to Dec 31	10.2 (10.8)	1.85 (2.47)	7.8 (9.9)	9.8	Oct 1	9.6	9.6	9.6
Denby	6 mths to Mar 31	16.8 (13.2)	3.04 (2.43)	6.2 (4.9)	1.35	Sept 2	1.15	-	3.45
European Colour	Yr to Mar 31	19.9 (17.5)	2.9 (1.87)	5.01† (3.8)	1.425	July 17	1.125	2.2	1.7
French	6 mths to Mar 30	7.95 (7.9)	0.34 (0.384)	1.55 (1.93)	1.5	Aug 16	1.45	-	3.625
Greencore ‡	6 mths to Mar 29	230.4 (210.7)	25.5 (22)	11.8 (10.6)	2.3	July 31	2.05*	-	5.9*
Hill & Smith	6 mths to Mar 31	41.87 (41.16)	1.73 (2.29)	3.09 (3.93)	2.1	Sep 25	2.1	-	6.2
Hunters Armley	6 mths to Mar 31	29.4 (24.3)	0.077 (1.63)	0.2 (4.18)	1.5	Aug 16	1.5	-	4.5
Lookers	6 mths to Mar 31	213.2 (188.2)	3.16 (2.44)	6.7† (5.1)	2.6	Sept 30	2.5	-	7.9
Midlands Elect	Yr to Mar 31	1,336 (1,457)	265.6¶ (179)	45 (31.3)	12.375§	Oct 3	20.45	18.5	29.75
MIE	Yr to Mar 31	524.7 (497.7)	107.4 (88.5)	56.82 (41)	14	Oct 1	9.5	19	13.4
Oxford Instruments	Yr to Mar 31	146.3 (125.2)	21.5 (18)	27.8 (23.9)	4.6	-	4	6.5	5.7
Pilkington	Yr to Mar 31	2,899 (2,676)	554 (248)	2.9† (40.7)	3.25	Aug 16	2.7	5	4.2
Porter Chadburn	Yr to Mar 31	76.8 (82.7)	4.5L (3)	5.6L (2.55)	nil	-	nil	nil	nil
Powell Duffryn	Yr to Mar 31	909.8 (791.3)	4.9 (36.9)	7.8† (33.7)	17	Aug 8	17	25	25
Shoprite	Yr to Dec 30 ♦	31.1 (224.6)	0.108L (29.2L)	0.69L (35.9L)	nil	-	-	nil	0.6
Sebo	53 wks to Apr 6	2,590 (2,148)	331.1 (275.1)	45 (37.5)	8.57	Oct 1	8.07	13.31	12.1
[illegible]	Yr to Mar 31	20.35 (18.75)	1.85 (1.22)	11.52 (7.85)	3	Aug 14	1.75	4.25	2.75
Victoria Carpets	Yr to Mar 31 ★	39.3 (37.1)	0.203 (0.029)	1.73 (0.15L)	2	July 29	2	2	2
Windsor	6 mths to Mar 31	5.17 (4.89)	0.332L (0.03L)	1.03L (0.16L)	nil	-	nil	-	0.5
Wyndeham Press	Yr to Mar 31	36.8 (26)	5.11 (2.52)	12.5† (10.8)	2.7	Aug 19	2.35	4.3	3.75

Investment Trusts		NAV (p)	Attributable Earnings (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
3i	Yr to Mar 31	426 (346)	70 (59.1)	11.3† (10.1)	5	July 26	4.4	8.1	7.2
Fleming High Inc	Yr to Apr 30	114.24 (100.3)	1.7 (1.56)	5.21 (4.82)	1.2	#	1.15	4.85	4.5
Murray Emerging	6 mths to Apr 30 ★	100.5 (-)	0.172 (0.499)	0.32 (0.92)	-	-	-	-	1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ¶After exceptional charge. ¶After exceptional credit. †On increased capital. ‡Irish currency. *Equivalent after allowing for scrip issue. ♦Aim stock. §To be paid only if recommended offer from Avon Energy does not proceed. ‡On reduced capital. ♦Comparatives for 61 weeks. #Already announced. ★Comparatives restated.

COMMODITIES AND AGRICULTURE

Kazakh aluminium boost planned

By Kenneth Gooding, Mining Correspondent

Kazakhstan's aluminium industry is to receive a US$1.2bn boost. Formal agreements were signed in London yesterday by Mr Akezhan Kazhegeldin, the central Asian republic's prime minister, for a new $750m aluminium smelter and for the expansion of annual capacity at Kazakhstan's Pavlodar alumina (aluminium oxide) complex from 1.1m to 2m tonnes at a cost of $450m.

Trans-World Group, the UK based organisation that in recent years has been transformed from a trader into one of the world's biggest producers of aluminium, is spearheading the project. Mr David Reuben, chairman, said that, not only did Trans-World hope to be a major shareholder in the projects, it had committed to secure all the project financing and would buy all the metal so that pay-back was guaranteed.

The proposed new smelter will have a minimum annual capacity of 250,000 tonnes and will be capable of expansion to 400,000 tonnes.

Mr Reuben said he hoped that Reynolds Metals, second largest US aluminium group, would join the project as a shareholder and provide technical expertise.

Power for the smelter would be provided by the Yermak plant, which had been acquired by Japan Chrome Corporation. JCC had promised to sign a long-term supply agreement to provide power "at a favourable rate." Trans-World provided some of the finance for the JCC power project.

Mr Reuben said that he expected the smelter to come into production in about three years time and, if all went to plan, that it would produce some of the lowest-cost aluminium in the world.

The smelter would employ between 1,000 and 2,000 people. At present the Pavlodar alumina complex employed 6,000 and was heavily over-staffed. Productivity would increase because the same number of people would produce more alumina.

He estimated that the projects would create about 15,000 direct and indirect jobs.

Intec Engineering Corporation, a Trans-World subsidiary in Russia that employed many engineers formerly with VAMI, the Russian aluminium research establishment, would project manage the engineering and construction of the projects. ABB, the Swiss-Swedish group, would be consultant to the projects and, with Krupp, the German group, was studying whether Kazakhstan's bauxite output could be increased. Bauxite is the raw material for alumina.

Mr Reuben said he hoped that between 20 and 30 per cent of the aluminium produced would be used in Kazakhstan. China was the obvious market for most of the metal to be exported. However, the border facilities at Druzba would have to be improved – the gauges of the railways in Kazakhstan and China were different and this caused big delays.

Trans-World has a broad range of interests, including shareholdings in a number of Russian metals plants, including the Bratsk and Sayansk aluminium smelters in Siberia. Mr Reuben said the group sold more than $5bn of its own products last year and had assets worth more than $1bn. He said that, by forging alliances with local companies, Trans-World was able to promote the development of big investments, supplying infrastructure, finance strategy and expertise.

EBRD may back gold project after all

By Kenneth Gooding

The controversial Vasilkovskoye gold project in Kazakhstan might after all receive support from the European Bank of Reconstruction and Development, a bank official said yesterday.

The Kazakh government upset the EBRD last year after the bank started to organise a tendering process for the project which will involve the development of a mine on what is reputed to be one of the three biggest gold deposits in the world. This tendering process was cut short when the government awarded the venture to Placer Dome of Canada.

Placer Dome subsequently changed its mind about the merits of the project and withdrew and the government recently started another international tender.

A consortium lead by Teck Corporation, another Canadian group, and two companies associated with Mr Robert Friedland, the mining entrepreneur, said this week they had been "awarded the right to conduct exclusive negotiations on the terms of a licence to develop the Vasilkovskoye deposit," if the parties could agree by July 1.

Ms Catherine Brown of the EBRD's natural resources group said yesterday that Teck had not made any approaches to the bank about possible finance. But if such an approach was made it would be considered on its merits. The EBRD was still interested in supporting viable natural resource projects in Kazakhstan.

The Teck consortium will pay US$89m in staged payments if its bid is finally accepted.

Placer Dome paid a returnable, interest-free, deposit of $35m to the Kazakh government. Mr Akezhan Kazhegeldin, Kazakhstan's prime minister, suggested at a conference in London yesterday that this money had now been repaid.

Vasilkovskoye is located in northern Kazakhstan. Gold was first discovered there in the mid-1960s and the deposit is now estimated to contain 13.5m troy ounces of gold worth about US$5bn at today's prices.

Teck will take 50 per cent of the venture, if the bid succeeds, and the other 50 per cent will be shared equally by the two companies associated with Mr Friedland: Bakyrchik Gold, which is quoted in London and is operator of the Bakyrchik mine in Kazakhstan, and First Dynasty Mines, a Canadian company.

Iberians seen leading EU grain recovery

A dramatic recovery in grain crops in Spain and Portugal after last year's drought could push the European Union harvest as high as 190m tonnes, the Brussels-based farm lobby Copa said yesterday, reports Reuters from Paris.

Spanish estimates were being revised upwards and, coupled with the area sown in Portugal, suggested a recovery of up to 10m tonnes in the Iberian peninsula this year, about twice the increase some analysts had predicted during the winter.

"We still have to be prudent about the figures but it is possible that usable EU production could be a maximum of 190m, certainly in the high 180s," a Copa official said.

Most published estimates have put grain output in the 15-member bloc at about 186m tonnes this year, compared with 175m in 1995.

Choppers give protection to Washington's cherry trees

Helicopters are used to keep rain off the state's $40m cherry crop, writes Deborah Hargreaves

Cherries are picked at 4am and must reach a hydro-cooling station within two hours of harvest.

Helicopters hovering over fruit trees in Washington state at this time of year are not engaged in agricultural espionage but in protecting the region's $40m cherry crop.

Stemilt, a group of 230 growers in the Pacific north-west of the US, keeps a fleet of helicopters on hand in the spring when fruit is ripening. If it rains at this crucial stage in the cherry's development, the skin can split and the fruit be ruined.

"Any time of the day or night, if it rains, we fly the helicopters literally to blow the water away from the cherries," said Mr Tom Mathison, the company's president. "It is an expensive way of doing it, but the crop is so valuable, it is worth it."

Washington state cherries will be flown into Britain in the next couple of weeks as growers launch a promotional campaign to increase market awareness of their fruit. A press advertising campaign and TV features will stress the quality of the Washington cherries to deepen their niche in a highly competitive market for one of the few truly seasonal fruits.

Cherries are extremely difficult to transport and can deteriorate rapidly, they are also available for only six to seven weeks of the year.

Over the past five years, Mr Mathison has invested in high-tech cooling and packing operations to ensure that the fruit retains its quality in transit. Cherries are picked at 4am and must reach a hydro-cooling station – where they are rapidly cooled down and their temperature kept stable – within two hours of harvest.

"Handling at harvest is a vital issue in keeping the quality of the fruit and that's the only way to extend the shelf life," said Mr Mathison. By cooling the fruit rapidly at harvest, Stemilt has managed to extend the cherries' shelf-life by a week to around 10 days.

This season Mr Mathison is trying out a method of packing cherries in plastic bags where precisely defined levels of oxygen, nitrogen and carbon dioxide are pumped in. By manipulating the carbon dioxide, the cherries can be "put to sleep", which slows down the deterioration process.

Stemilt's crop of around 15,000 tonnes, which represents 15 per cent of the north American total, is worth $35m to $40m. The cherries are flown to markets all over the world with 1,200 tonnes flown to the UK where it is distributed to the large retailers.

Supermarkets, however, are keen to be supplied with fruit all year round and cherry growers are looking to extend the season by at least two months. This can be done by planting earlier or later maturing varieties. Mr Mathison whose family has been growing cherries for 100 years, grubs up 5 per cent of his orchards every year to plant new varieties.

Big rise in Argentine wheat sowings forecast

Argentine farmers are heading for a big increase in their wheat sowing this season, with analysts and traders mainly agreeing with a government forecast of a rise of 29 to 41 per cent, reports Reuters from Buenos Aires.

"If they can get the seed, I'd think 6.5m hectares is doable," one analyst said. That would mean a 35 per cent rise in area. The analyst said he was betting on 6.3m hectares being harvested. "That would give production of around 13m tonnes, but with a strong upside. Maybe up to 14m tonnes would be possible," he said.

Mr Osvaldo Caselins of the Cereals Elevators Association was more cautious, however. "We think the rise will be a bit lower, from 20 to 25 per cent," he said, while adding that moisture levels were "acceptable" and better than at the same time last year.

The analyst stressed that expanding wheat area would probably eat into sunflower sowing. He predicted a big drop in harvested sunflower area to 2.4m hectares in 1996-97, with likely seed output about 4.8m tonnes.

The harvested soyabean area would rise slightly to 6m hectares, he forecast, with potential production of 13m tonnes. He put the harvested maize area at about 3.2m hectares and output at about 12.5m tonnes.

But, pre-season forecasts of potential production aside, the analyst warned that there were still plenty of potential problems. Not everyone was confident that last year's drought was actually over, he said, and the disappointing 1995-96 wheat crop of under 9m tonnes could mean a shortage of seed.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1489.5-90.5	1524-25
Previous	1505.5-6.5	1542-43
High/low	1490	1530/1490
AM Official	1480-81	1517-18
Kerb close		1525.5-26.0
Open int.	225,311	
Total daily turnover	98,098	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1250-60	1290-300
Previous	1260-70	1302-5
High/low		1298/1270
AM Official	1240-50	1280-85
Kerb close		1290-300
Open int.	4,795	
Total daily turnover	924	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	820.5-22.5	821-22
Previous	819-20	824-25
High/low	825	826/801
AM Official	825-25.5	824-25
Kerb close		818-19
Open int.	35,250	
Total daily turnover	8,015	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7775-85	7885-90
Previous	7785-95	7900-905
High/low		7970/7830
AM Official	7800-805	7920-30
Kerb close		7850-60
Open int.	45,720	
Total daily turnover	19,048	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6105-15	6140-50
Previous	6095-105	6135-40
High/low	6110	6240/6080
AM Official	6105-10	6135-40
Kerb close		6240-50
Open int.	18,299	
Total daily turnover	3,644	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1009-10	1033.5-34.5
Previous	1020.5-21.5	1046-47
High/low		1049/1010
AM Official	1008-8.5	1032.5-33.0
Kerb close		1033-34
Open int.	72,920	
Total daily turnover	25,447	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2230-40	2100-10
Previous	2413-18	2319-21
High/low		2180/1900
AM Official	2300-210	2075-85
Kerb close		2090-95
Open int.	186,949	
Total daily turnover	149,273	

■ LME AM Official £/$ rate: 1.5430

LME Closing £/$ rate: 1.5412

Spot 1.5411 3 mths: 1.5391 6 mths: 1.5378 9 mths: 1.5371

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	106.10	+0.40	109.50	100.00	863	3,564
Jul	103.85	+1.60	104.60	91.50	17,141	17,533
Aug	101.80	+1.25	103.50	97.50	161	1,017
Sep	100.00	-0.25	102.25	90.60	4,559	7,846
Oct	98.90	-	98.50	95.50	33	713
Nov	95.60	-0.95	97.30	95.30	30	603
Total					26,464	46,107

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

	$ price	£ equiv	SFr equiv
Gold(Troy oz)			
Close	385.70-386.20		
Opening	386.20-386.60		
Morning fix	385.70	249.958	484.054
Afternoon fix	384.85	249.271	482.400
Day's High	386.40-386.80		
Day's Low	384.10-384.50		
Previous close	387.40-387.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.45	6 months	4.24
2 months	4.35	12 months	4.10
3 months	4.25		

	p/troy oz.	US cts equiv.
Silver Fix		
Spot	334.00	515.50
3 months	338.20	521.45
6 months	342.15	527.40
1 year	351.00	540.85

	$ price	£ equiv.
Gold Coins		
Krugerrand	386-389	250-252
Maple Leaf	396.25-398.75	
New Sovereign	88-91	57-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	385.5	-0.3	385.5	383.7	2,486	2,958
Jul	386.6	-0.4	-	-	-	2
Aug	388.4	-0.5	389.0	386.2	34,776	84,850
Oct	391.2	-0.6	391.5	388.5	1,094	6,398
Dec	394.0	-0.7	394.4	392.0	2,719	26,902
Feb	396.7	-0.8	396.3	396.1	35	6,645
Total					42,378	157,544

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	395.5	+0.8	395.9	393.0	3,868	19,022
Oct	398.3	+0.8	398.6	396.9	1,045	5,680
Jan	401.3	+0.8	401.0	399.0	45	1,044
Apr	404.3	+0.8	405.0	405.0	55	1,636
Total					5,013	27,385

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	129.75	+0.65	129.50	129.50	21	283
Sep	130.65	+0.55	130.25	129.50	430	7,152
Dec	131.10	+0.55	131.50	129.50	22	888
Total					473	8,439

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	517.7	+4.2	-	-	2	4
Jul	519.5	+4.9	521.5	513.0	26,866	62,434
Aug	522.2	+4.9	-	-	-	-
Sep	524.3	+4.9	526.5	518.5	5,193	19,267
Dec	532.6	+4.9	534.5	526.0	1,257	11,224
Mar	540.5	+4.9	541.0	536.0	241	4,997
Total					34,227	107,678

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	19.79	+0.07	19.92	19.46	53,566	78,760
Aug	19.09	+0.03	19.13	18.77	30,357	52,768
Sep	18.60	-	18.67	18.40	8,434	35,397
Oct	18.30	+0.01	18.38	18.10	3,937	25,955
Nov	18.12	+0.03	18.15	18.00	2,962	21,950
Dec	17.94	-	18.03	17.80	2,763	35,372
Total					108,738	383,445

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	17.82	-0.03	18.00	17.82	19,503	46,526
Aug	17.42	-0.08	17.54	17.21	13,012	54,249
Sep	17.15	-0.06	17.25	17.00	1,989	16,929
Oct	17.01	-0.03	17.02	16.88	815	16,139
Nov	16.86	-0.03	16.85	16.78	810	5,246
Dec	16.68	-0.05	16.74	16.68	181	11,276
Total					37,866	175,809

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	50.60	-0.25	51.85	49.90	10,077	24,269
Aug	51.00	-0.16	51.25	50.40	5,493	15,002
Sep	51.45	-0.10	51.70	51.00	1,132	9,225
Oct	52.10	-0.05	52.25	51.70	741	5,232
Nov	52.70	-	52.85	52.20	329	6,343
Dec	53.20	-0.05	53.35	52.70	1,456	18,016
Total					21,016	103,445

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	160.50	-0.75	162.25	159.50	4,916	10,786
Jul	158.75	-0.50	160.00	157.25	5,203	17,574
Aug	157.75	-0.50	159.00	156.25	1,744	11,436
Sep	158.50	-0.50	159.75	157.75	463	5,481
Oct	159.25	-0.25	160.50	158.75	181	2,105
Nov	159.50	-	160.00	159.25	100	1,518
Total					12,625	51,716

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	2.370	-0.009	2.420	2.330	14,889	31,755
Aug	2.430	-0.002	2.470	2.430	4,058	22,660
Sep	2.400	-0.005	2.435	2.400	2,115	17,554
Oct	2.380	-	2.400	2.350	1,304	14,628
Nov	2.390	-0.003	2.410	2.390	576	10,337
Dec	2.460	-	2.471	2.459	573	11,983
Total					24,989	147,705

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	59.65	+0.25	59.95	58.70	13,896	26,605
Aug	58.30	+0.15	58.70	57.60	7,717	15,189
Sep	57.10	+0.07	57.30	56.35	1,394	5,505
Oct	54.60	-0.15	54.80	54.20	145	1,965
Nov	53.20	-0.40	52.90	52.90	65	1,177
Dec	52.40	-	52.50	52.15	364	1,193
Total					23,497	52,941

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	122.75	-0.40	124.00	122.75	56	1,218
Sep	112.00	-0.50	-	-	-	365
Nov	114.50	+1.00	114.50	114.00	176	2,840
Jan	116.40	+0.85	116.50	116.45	25	977
Mar	118.40	+0.85	118.45	118.45	20	246
May	120.40	+0.95	-	-	-	110
Total					282	6,058

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	494.25	+1.50	506.00	485.00	21,236	39,826
Sep	500.75	+7.50	510.00	487.25	6,490	19,977
Dec	509.75	+8.25	519.50	497.25	5,276	19,337
Mar	512.00	+12.00	520.00	500.00	385	2,553
May	478.00	+10.00	478.00	478.00	33	105
Jul	431.50	+1.50	435.00	430.00	171	1,569
Total					34,582	83,477

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	447.00	+12.00	447.00	434.00	45,517	105,881
Sep	381.50	+8.25	383.25	372.00	17,218	64,372
Dec	348.25	+3.50	350.25	341.75	36,864	138,643
Mar	354.75	+8.00	356.50	347.00	1,613	20,619
May	357.50	+7.00	359.50	350.00	825	4,175
Jul	355.50	+7.50	358.00	353.00	81	4,042
Total					102,272	351,820

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	105.50	-	105.50	105.50	-	68
Nov	108.25	+0.35	108.00	108.00	20	677
Jan	111.00	+0.85	109.50	109.50	6	138
Mar	112.00	-	-	-	-	41
May	113.25	-	-	-	-	6
Total					21	930

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	798.00	+0.50	798.50	780.50	15,417	58,541
Aug	762.25	+1.00	765.50	757.50	5,375	16,710
Sep	743.25	-2.50	746.50	739.00	892	6,663
Nov	731.25	+3.50	735.50	727.50	21,667	81,308
Jan	735.50	+3.50	741.50	733.50	795	8,207
Mar	743.25	+2.75	748.00	742.50	423	3,216
Total					44,986	176,081

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	25.73	+0.09	25.84	25.50	9,646	33,461
Aug	25.93	+0.10	26.03	25.72	3,893	14,253
Sep	26.16	+0.14	26.22	25.93	834	6,728
Oct	26.30	+0.15	26.40	26.10	150	5,678
Dec	26.58	+0.10	26.65	26.35	1,466	22,608
Jan	26.65	+0.12	26.75	26.50	81	1,827
Total					16,131	88,795

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	236.3	-0.4	237.3	235.1	9,391	37,248
Aug	236.3	+0.1	237.1	235.1	3,311	12,569
Sep	234.2	+0.5	235.2	233.5	849	8,722
Oct	229.5	+1.2	230.0	228.5	454	4,247
Dec	228.7	+1.3	230.0	228.0	2,781	22,185
Jan	228.9	+1.1	230.2	228.0	199	2,096
Total					17,282	89,891

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	137.5	-1.0	141.0	137.0	42	1,182
May	150.0	-	-	-	-	6
Jun	160.0	-	-	-	-	-
Total					42	1,189

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	1265	-29	1290	1260	7	568
Jul	1212	-22	1225	1210	45	2,058
Aug	1217	-16	1220	1210	17	75
Oct	1322	-5	1335	1320	70	1,364
Jan	1356	+5	1345	1345	4	138
Apr	1360	+2	-	-	-	83
Total					133	4,344

	Close	Prev
BFI	1331	1338

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1087	+31	1090	1054	1,871	12,861
Sep	1116	+32	1117	1085	2,736	45,280
Dec	1040	+14	1047	1027	3,813	31,254
Mar	1026	+11	1028	1016	2,752	37,061
May	1033	+8	1033	1028	2,639	20,028
Jul	1045	+10	1045	1036	79	11,560
Total					14,831	168,889

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1373	+28	1375	1353	3,033	19,736
Sep	1389	+25	1391	1373	2,921	21,217
Dec	1409	+22	1410	1397	382	16,976
Mar	1420	+17	1425	1417	118	13,920
May	1436	+18	1434	1432	48	5,671
Jul	1451	+16	1435	1435	71	5,733
Total					5,639	89,943

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Jun 5		
Daily	1040.83	1033.91

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1744	-13	1753	1740	1,196	15,018
Sep	1725	-11	1731	1720	926	7,754
Nov	1718	-8	1721	1711	336	3,527
Jan	1694	-8	1697	1691	72	1,784
Mar	1662	-11	1665	1661	52	1,027
May	1655	-	1663	1663	2	-
Total					2,589	29,112

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	113.05	-0.80	113.80	112.35	3,650	12,812
Sep	112.25	-0.85	113.20	111.80	1,625	8,578
Dec	110.30	-1.15	111.20	110.10	389	3,724
Mar	109.25	-1.25	110.00	109.10	19	1,052
May	108.75	-1.25	110.50	108.75	4	338
Total					5,195	26,864

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Jun 5		
Comp. daily	103.02	102.43
15 day average	107.32	107.93

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	378.8	+3.7	380.5	375.8	1,030	11,312
Oct	343.5	+3.0	343.8	339.5	725	8,682
Dec	334.4	+2.0	333.3	331.0	21	4,654
Mar	328.2	+0.5	329.0	327.5	150	3,529
May	327.5	+0.8	328.5	327.0	139	1,666
Aug	327.7	-0.7	328.7	327.5	71	511

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.60	+0.25	11.70	11.49	8,676	54,786
Oct	10.87	+0.12	10.89	10.81	3,400	39,137
Mar	10.64	+0.05	10.65	10.61	969	30,610
May	10.56	+0.03	10.57	10.54	304	9,008
Jul	10.49	+0.03	10.53	10.51	25	8,755
Oct	10.43	+0.03	10.46	10.43	20	3,018
Total					11,481	147,362

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	80.54	-0.91	81.10	80.30	4,026	21,508
Oct	78.55	-0.60	79.40	78.50	595	5,046
Dec	78.22	-0.38	78.75	78.12	2,740	27,964
Mar	78.20	-0.27	79.50	78.15	318	8,242
May	79.92	-0.21	80.10	79.80	93	2,207
Jul	80.45	-0.15	80.45	80.35	38	598
Total					7,866	66,658

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	123.00	+0.10	123.25	122.40	1,082	10,269
Sep	120.50	+0.30	120.60	120.20	343	4,861
Nov	117.10	+0.05	117.20	117.00	115	1,882
Jan	115.10	+0.10	115.20	114.90	58	3,822
Mar	116.00	+0.10	116.50	116.90	15	285
May	118.00	-	118.75	118.75	8	157
Total					1,621	21,173

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 6	Jun 5	month ago	year ago
2072.4	2095.2	2138.1	2285.3

■ CRB Futures (Base: 1967=100)

Jun 5	Jun 4	month ago	year ago
247.45	250.05	N/A	N/A

■ GSCI Spot (Base: 1970=100)

Jun 5	Jun 4	month ago	year ago
200.09	203.31	209.00	183.32

Wool

At the close of this week's Australian wool auctions, the Eastern market indicator finished just one cent higher than a week earlier at 690 cents, having advanced by 3 cents and 2 cents on Tuesday and Wednesday, respectively, before falling back 4 cents on Thursday. The Western market indicator was not traded, sales being confined to Sydney where there was a very small offering of 33,026 bales. Next week should provide a sterner test when some 84,000 bales are rostered. The New Zealand sale saw the market indicator fall 16 cents to 447 cents, while the season's first sale of British wools attracted limited competition, with more interest in forward offerings. Primary markets generally reflected widespread caution and continued hand-to-mouth trading within the wool processing industry.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	62.850	+0.650	62.900	61.600	4,713	17,790
Aug	65.375	+0.275	65.500	64.300	6,501	33,676
Oct	66.275	+0.025	66.450	65.650	1,645	23,173
Dec	63.950	+0.100	64.100	63.500	1,364	11,411
Feb	63.150	+0.025	63.250	62.750	399	10,214
Apr	66.100	+0.075	66.125	65.600	185	2,808
Total					15,281	100,830

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	62.450	-0.600	62.675	61.850	2,890	7,281
Jul	58.875	-0.500	59.200	57.675	2,940	5,005
Aug	55.250	-0.625	55.750	54.450	2,362	8,366
Oct	50.150	-0.350	50.400	49.800	651	5,686
Dec	53.050	-0.250	53.250	51.900	350	5,626
Feb	74.200	+0.400	73.000	73.000	92	1,322
Total					8,139	36,276

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	85.760	+1.825	85.750	82.350	1,698	5,076
Aug	82.475	+1.025	83.300	80.225	996	2,729
Feb	78.875	+1.850	79.000	77.500	161	665
Mar	79.475	+1.850	78.700	77.700	3	43
May	80.550	+1.800	80.250	78.750	1	47
Total					2,857	8,562

LONDON TRADED OPTIONS

Strike price $ tonne	Calls Jul	Calls Sep	Puts Jul	Puts Sep
■ ALUMINIUM (99.7%) LME				
1450	70	121	8	24
1500	35	88	22	41
1550	13	62	51	64
■ COPPER (Grade A) LME				
2150	149	116	74	135
2200	98	80	123	217
2250	61	-	186	-
■ COFFEE LCE	Jul	Sep	Jul	Sep
1300	-	-	-	-
1350	-	-	-	-
1400	-	-	-	-
■ COCOA LCE	Jul	Sep	Jul	Sep
875	212	243	-	2
900	187	219	-	3
925	162	196	-	5
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1800	16	31	45	-
1850	7	14	67	-
1900	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.95-7.06x	+0.140
Brent Blend (dated)	$18.14-8.16	-0.140
Brent Blend (July)	$17.87-7.89	+0.030
W.T.I.	$19.83-9.84x	+0.125

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$200-202	-1
Gas Oil	$161-163	-1
Heavy Fuel Oil	$92-94	-1
Naphtha	$172-174	-2
Jet fuel	$185-188	-1
Diesel	$163-165	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (Jul)	12.60-13.00	-0.75

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$385.95	-1.55
Silver (per troy oz)♣	521.50c	+1.00
Platinum (per troy oz.)	$391.75	-1.00
Palladium (per troy oz.)	$127.60	-0.15
Copper	134.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.35r	-0.11
Tin (New York)	291.50	+5.00
Cattle (live weight)	101.54p	+2.25*
Sheep (live weight)	146.43p	+3.24*
Pigs (live weight)†	113.61p	-8.42*
Lon. day sugar (raw)	$298.2	+1.1
Lon. day sugar (wte)	$392.5	-2.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	102.75p	
Rubber (Jul)♥	102.75p	
Rubber (KL RSS No1)	367.50m	-6.50
Coconut Oil (Phil)§	830.0v	+15.0
Palm Oil (Malay.)§	525.0	+15.0
Copra (Phil)§	521.0	
Soyabeans (US)	213.0z	-5.0
Cotton Outlook'A' index	84.45c	+0.15
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Jul. x May/Jun. w Jun/Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,611 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,088 Set by ARMONIE

ACROSS

1 There's nothing in between the passenger and the main road (12)

10 A bow, say, for one with rupees in Middle Eastern state (7)

11 Course of treatment for a group of soldiers that's never-ending (7)

12 Water nymph native to Sinai, Aden, etc (5)

13 Alienate unruly sergeant (8)

15 More protection provided for the fieldsman (5,5)

16 Second played goes into the lead in game. That's capital! (4)

18 Member quietly consumed drink (4)

20 Corrupt grown-up English count (10)

22 Wine makes Iris and Glen tipsy (8)

24 It's clear one's involved in a plot (5)

26 Expert made waves in the world of scholarship (7)

27 Live with Barbarians – and Saracens, what's more (7)

28 Death knell? (8,4)

DOWN

2 Musician may make it sharp (7)

3 The soldiers' standard restorative (8)

4 Part of the forearm of a powerful native (4)

5 Infrequently crossing stormy seas while under pressure (10)

6 For the prophet it takes a month to get to the old city (5)

7 The Queen has abundant supplies of furs (7)

8 As naive as a day old chick (4,9)

9 Like a moustache – in full view (5,4,4)

14 Angel and demon contrived a happy medium (6,4)

17 One who abhors upsetting drinks in the grass (8)

19 Lords and Ladies continually come into leaf (7)

21 A group on leave (6)

23 A feudal lord in Belgium (5)

25 One has still to be in contact (4)

Solution 9,087

C	A	S	I	N	O		R	O	Y	A	L	E		
	H		T		U		W		M		M			
M	I	M	I	C	R	Y		D	I	S	R	O	B	E
	N		F		S		M		N		E		R	
I	A	N	F	L	E	M	I	N	G		E	T	O	N
			E		M		D			T		I		
L	A	R	V	A		D	I	A	M	O	N	D	S	
U	N	S	A	D	D	L	E		T	A	P	E	R	
	C		L		S		N		S		H		R	
C	A	L	M		A	R	E	F	O	R	E	V	E	R
	S		O		L		X		R		T		R	
U	T	E	R	S	I	L		L	I	V	E	A	N	D
	E		D		B		S		N		T		E	
R	U	S	S	I	A		L	E	T	D	I	E		

INTERNATIONAL CAPITAL MARKETS

Unemployment claims data boost Treasuries

By Maggie Urry in New York and Samer Iskandar in London

Signs of weakening US economic growth, rumours of bond buying by the Federal Reserve and a hedge fund, and the UK base rate cut lifted US Treasury bond prices yesterday morning, bringing the yield on the 30-year long bond below 6.9 per cent once again.

Near midday, the long bond was up 11/32 at 88 29/32 to yield 6.892 per cent, the two-year note was 1/8 higher at 99 25/32, yielding 6.135 per cent and the September 30-year Treasury bond future had added 9/32 to 108 15/32.

The market opened higher following through from the late rise on Wednesday, but it was the initial unemployment claims figure which caused the market to continue upwards.

The number of people claiming unemployment benefit for the first time rose by 9,000 to 354,000 last week, a bigger increase than had been expected. The figure is an indicator of levels of activity in the economy, as the number of new claimants shows if companies are laying off workers.

Ms Marilyn Schaja, an economist at Donaldson Lufkin & Jenrette, said the claims figures "have broken their downward trend" but today's non-farm payroll report for May would give a more conclusive portrayal of labour conditions.

The bond market has been apprehensively awaiting today's jobs report, nervous that an unexpectedly large rise in the number of people in work could presage wage inflation and interest rate rises.

■ In addition to the support provided by the rally in US Treasuries, European markets benefited from surprise cuts in leading interest rates from the central banks of the UK, France and Denmark.

UK gilts ended the day sharply higher. Liffe's September long gilt future settled at 106 29/32, up 19/32. In the cash market, the 10-year benchmark gilt

GOVERNMENT BONDS

closed at 96¾, up ½, its yield spread over the equivalent German bund narrowing by 2 basis points to 169 points. Liffe's September future on short sterling rates closed at 94.09, up 0.25.

The decision by Mr Kenneth Clarke, the chancellor of the exchequer, to cut the base rate by ¼ percentage point to 5¾ per cent surprised market participants, causing an erratic initial reaction in the prices of gilts, which fell slightly in the morning. The market started rallying only in the afternoon, when US Treasuries opened on a bullish note.

The chancellor said the rate cut was motivated by the fact that "cost pressures have eased further and the economy is growing below trend".

Economists at Nikko Europe said the easing was "justified on economic grounds" and do not rule out "another rate cut ... if the economy is weak in the next couple of months".

■ French bonds rallied after the Banque de France surprised market participants by cutting its intervention rate. Matif's June notional future closed at 123.54, up 0.28, while the June future on the three-month Pibor rate gained 0.06 to settle at 96.03.

In the cash market, the 10-year benchmark OAT, the 7¼ per cent bond due 2006, closed at 105.54, up 0.38. The 10-year yield spread of OATs over bunds widened by 1 basis point to 3 points.

The market had opened below Wednesday's levels and was slowly slipping until midday, when the central bank announced a 10 basis point cut in the intervention rate to 3.60 per cent after a regular fortnightly meeting of its monetary policy council. The move was unexpected, notably because the French franc had been weakening against the D-Mark for several days.

■ Spanish bonds showed a strong performance. The June future on 10-year bonos settled at 99.06, up 0.48. The 8.8 per cent bono due 2006 was also 0.48 higher at 97.68.

The market was supported by the bullish international environment, as well as a partial recovery of the peseta on the foreign exchange market.

■ Italian bonds also performed well. Liffe's September BTP future settled at 115.68, up 0.39. In the cash market, the 10-year benchmark BTP gained 0.22 to close at 100.97, its yield spread over bunds with a similar maturity tightening by 2 basis points to 312 points.

Although the rally was sparked by rising US Treasuries, monetary easing in the UK and France seemed to reinforce expectations of a similar move by the Bank of Italy.

■ The German market was closed, but trading in bunds took place in London. Liffe's September bund future settled at 95.89, up 0.38.

Asian issuance of convertibles and DRs set to rise

By Subramaniam Sharma

Convertible bond and depositary receipt issuance by companies in south and east Asia is set to recover this year, investment bankers say.

In the first five months of 1996, companies from Indonesia, South Korea, the Philippines, Taiwan and Thailand issued 36 convertibles raising $2.46bn, against $2.01bn in 1995 and $7.09bn in 1994.

Buyers have been attracted by the relatively low valuations and high earnings potential of Asian markets.

"Investors are attracted to convertible bonds in emerging markets as they are able to gain the upside while still protecting the downside in markets where there is high volatility," said Mr Ian Hannam, of Robert Fleming in London.

"The mood is very upbeat. Asian economies are far more stable than most other emerging market economies," said Mr Sanjay Nayar, a vice-president at Citicorp International Securities in London.

Bankers are also expecting international interest in depositary receipts – paper which reflects the value of underlying shares – issued by Asian companies to rise even though issuance so far this year has been subdued.

Asian companies raised $700m with six separate depositary receipt issues in the first four months of the year, compared with $920.9m in seven issues in the same period of 1995, and over the next six months are expected to make more than 60 DR issues.

Future DR issuers include PT Telkom, the Indonesian telecommunications company, which is planning to raise $600m, and VSNL, India's state-owned telecoms company, which is aiming to raise $800m.

Telkom scaled down the size of an issue last year, while VSNL has been waiting to tap the market for over a year. This year, investors are expected to be more more cautious than two years ago, when interest in Asian convertibles and DRs reached record levels.

In 1994, investors picked up "anything and everything", said Mr Nishit Kotecha of BZW, the investment banking arm of Barclays Bank. This year "an Asian badge is not enough. The companies should have a story to tell," he says.

Bankers are also monitoring the use of proceeds from DRs and convertibles more closely and insist that pricing must be realistic. Mr Subhasis Roy at Kleinwort Benson says "pricing has to be very attractive for investors to bite."

Strong demand and further cut in base rates lift sterling sector

By Conner Middelmann and Antonia Sharpe

The eurobond market was quiet yesterday, with dollar issuance slowing to a trickle ahead of today's release of US employment data.

The sterling sector was more active, however, supported by the Bank of England's quarter-point base rate cut and continuing demand for sterling bonds from continental European and UK investors.

A £250m 10-year bond issue for PowerGen, the UK electricity generator, caused some confusion, however. Pre-marketed and launched early in the day at a spread of 45 basis points over gilts, the bonds were initially priced at a re-offer price of 99.249 using a consortium yield computed by a third-party information provider.

However, according to joint leads BZW and HSBC Markets, the yield was inaccurate due to a systems error. As a result, the bonds' pricing was erroneous and was revised several hours later to 99.145.

Nonetheless, the lead managers said the deal was a success and reported strong demand from institutional investors, especially in the UK. The yield

INTERNATIONAL BONDS

spread narrowed to 43 basis points in late trading and they had seen "no adverse reaction from investors".

"We were happy with the spread and the credit. If anything, the repricing worked in our favour as we didn't have to raise as much cash as we would have at the initial price," one UK fund manager said.

Elsewhere in the sterling sector, Sweden increased an outstanding bond issue due in 1998 by £100m via Lehman Brothers, which reported good demand from retail investors in Switzerland and the Benelux region and UK institutions.

More sterling deals rumoured in the market are a second credit-card backed offering for MBNA, seen totalling £250m of five-year bonds, and around £200m of five-year floating-rate notes for CCCI, the financing arm of Crédit Immobilier de France, possibly before the end of the month.

Strong demand for Sumitomo Bank's Y100bn of convertible bonds due 2001 allowed it to set the coupon at ¾ per cent, well below the indicated range of 1¼ to 1⅝ per cent. The bonds, which holders must convert into shares, have a conversion premium of 10 per cent over Sumitomo's closing share price of Y2,050.

The bonds, which were due to be freed to trade by the end of the day, were trading in the grey market at 107, well above their issue price of par but in line with the bonds' theoretical value. The bonds reached such a premium as hedge funds tried to buy them for arbitrage-related purposes.

Since the offering was 17 times subscribed, the bank was able to place the bonds with high-quality institutions rather than hedge funds.

● IBCA, the European rating agency, yesterday upgraded the long-term foreign currency rating of the Republic of Poland to BBB. That is higher than Poland's BBB- rating from Standard & Poor's and its Baa3 rating from Moody's Investors Service.

The agency said the upgrade from BB+ reflected the "impressive performance of Poland's exports despite the recession in Germany – which means that Poland continues to run a current account surplus once unrecorded cross-border flows are taken into account." It also cited Poland's continued commitment to macroeconomic stability and structural policy reform as a key factor in the upgrade.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Federal Natl Mtg Assoc(a)*	200	(a1)	100.00R	Jun 1999	0.25R	-	Goldman Sachs & Co
STERLING							
PowerGen	250	8.50	99.145R	Jul 2006	0.35R	+45(7¾%-06)	BZW/HSBC Markets
Kingdom of Sweden(b)	100	7.00	100.183R	Dec 1998	0.175R	+27(7¼%-98)	Lehman Brothers Intl
FRENCH FRANCS							
Noria No 2, Class A1(c)	1.41bn	5.40#	99.854R	Jun 2000	0.20R	+24§	CCF/Morgan Stanley
Noria No 2, Class A2(c)	1.395bn	5.70#	99.885R	Jun 2001	0.25R	+24§	CCF/Morgan Stanley
LUXEMBOURG FRANCS							
Argenta Nederland	2bn	4.80	100.00	Jul 1999	1.375	-	BCEE
ITALIAN LIRE							
ABN Amro Bank	250bn	8.25	100.955	Jul 1999	1.375	-	IMI Lux/San Paolo, Turin
PESETAS							
De Nibb(d)	10bn	(d1)	100.00	Jul 2001	1.78	-	BNA/Citibank España

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on 10/6/97 at par. a1) 5.45% to 10/6/97, then 7.10%. b) Fungible with £250m. Plus 183 days accrued. c) Originator: Cetelem. Underlying assets: personal loans. Legal maturity: 26/12/02. c1) Class B: FFr194.99m, av life 4.75 yrs, 98.59R, +48bp. d) Callable on 9/7/98 at par. d1) 7.72% to 9/7/98, then 8.40%.

Liffe plans Swedish talks

By Richard Lapper

The London International Financial Futures and Options Exchange is to hold talks with Swedish securities dealers about the possible listing of a Swedish futures contract.

Liffe has no concrete plans but is thought to be interested in bond and money market products. It already lists German, Italian, Swiss and Japanese, as well as UK, contracts in these areas.

OM Stockholm, the Swedish futures market, already lists Swedish bond and equity futures and options contracts.

Liffe is also to add two new delivery months to its three-month euro-Swiss interest futures contract, providing for a total of six delivery months.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.4010	+0.690	8.87	8.93	8.70
Austria		6.125	02/06	97.3600	-0.410	6.50	6.45	6.36
Belgium		7.000	05/06	102.1400	+0.190	6.70	6.72	6.60
Canada *		8.750	12/05	107.8800	+0.580	7.57	7.67	7.73
Denmark		8.000	03/06	103.8600	+0.180	7.42	7.47	7.20
France	BTAN	5.750	03/01	101.0000	+0.250	5.49	5.53	5.34
	OAT	7.250	04/06	105.5400	+0.380	6.47	6.49	6.40
Germany Bund		6.250	04/06	0.0000	-	0.00	6.50	6.34
Ireland		8.000	08/06	101.9900	+0.340	7.70	7.68	7.47
Italy		9.500	02/06	100.9700	+0.220	9.34†	9.35	9.65
Japan	No 140	6.600	06/01	120.0239	-0.040	2.18	2.29	2.50
	No 182	3.000	09/05	98.9236	-0.250	3.15	3.20	3.45
Netherlands		6.000	01/06	97.6000	+0.380	6.34	6.37	6.27
Portugal		11.875	02/05	116.8000	+0.180	8.99	8.93	8.92
Spain		8.800	04/06	97.6900	+0.480	9.15	9.14	9.18
Sweden		6.000	02/05	85.8600	+0.280	8.35	8.47	8.23
UK Gilts		8.000	12/00	102-21	+13/32	7.29	7.48	7.35
		7.500	12/06	96-20	+16/32	7.98	8.17	8.00
		9.000	10/08	107-00	+18/32	8.09	8.26	8.13
US Treasury *		6.875	05/06	100-29	+25/32	6.75	6.83	6.59
		6.000	02/26	88-23	+40/32	6.90	6.97	6.83
ECU (French Govt)		7.500	04/05	103.6400	+0.340	6.93	6.96	6.76

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.15
Prime rate	8¼	Two month	-	Three year	6.33
Broker loan rate	7	Three month	5.22	Five year	6.52
Fed funds	5¼	Six month	5.41	10-year	6.76
Fed funds at intervention	-	One year	5.70	30-year	6.91

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	123.26	123.54	+0.28	123.64	123.20	145,362	132,377
Sep	121.78	122.08	+0.30	122.16	121.74	20,821	48,793
Dec	120.52	120.80	+0.28	120.86	120.52	2,438	10,947

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Aug	Calls Sep	Puts Jun	Puts Aug	Puts Sep
120	-	-	-	0.07	-	0.48
121	-	-	-	0.09	0.45	0.07
122	0.41	0.82	1.15	0.45	0.60	-
123	0.10	0.37	0.65	-	-	-
124	0.03	0.12	0.36	-	-	-

Est. vol. total, Calls 12,551 Puts 7,306. Previous day's open int., Calls 63,487 Puts 96,780

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.66	95.89	+0.38	95.90	95.62	97999	178145
Dec	94.86	94.99	+0.38	94.86	94.86	112	1066

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9550	0.68	0.99	1.21	1.16	0.29	0.60	0.82	1.67
9600	0.38	0.71	0.92	0.94	0.49	0.82	1.03	1.95
9650	0.19	0.48	0.68	0.75	0.80	1.09	1.29	2.26

Est. vol. total, Calls 11242 Puts 13794. Previous day's open int., Calls 121308 Puts 129862

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.50	115.68	+0.39	115.72	115.41	23125	53363
Dec		115.06	+0.39			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11550	1.71	2.28	1.53	2.70
11600	1.47	2.06	1.79	2.98
11650	1.25	1.85	2.07	3.27

Est. vol. total, Calls 2598 Puts 1262. Previous day's open int., Calls 44039 Puts 34316

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.77	99.05	+0.47	99.14	98.68	58,582	53,896
Sep	98.18	98.47	+0.50	98.50	98.13	1,485	6,910

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-16	106-29	+0-19	107-00	106-11	21418	37517
Sep	105-16	105-26	+0-17	105-30	105-09	72315	101924

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
105	1-07	1-34	1-54	2-05	0-19	0-46	1-02	2-17
106	0-34	0-63	1-19	1-41	0-46	1-11	1-31	2-53
107	0-12	0-38	0-55	1-17	1-24	1-50	2-03	3-29

Est. vol. total, Calls 1112 Puts 4211. Previous day's open int., Calls 18447 Puts 16300

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.78	91.12	+0.30	91.20	90.76	701	4,735
Dec	90.36	90.70	+0.30	90.58	90.36	137	3,943

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	108-23	109-17	+0-27	108-25	108-18	20,929	127,871
Sep	108-05	108-31	+0-26	108-28	108-08	298,296	[illegible]
Dec	107-25	108-14	+0-26	108-22	107-25	503	8,711

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	120.43			120.43	120.18	475	0
Sep	119.30			119.30	119.16	2611	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Jun 6	Day's change %	Wed Jun 5	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	121.63	0.26	121.32	2.21	4.26
2 5-15 years (19)	148.00	0.27	144.46	1.61	5.64
3 Over 15 years (9)	159.97	0.33	159.44	2.44	5.43
4 Irredeemables (6)	182.44	0.39	181.37	1.46	5.12
5 All stocks (56)	140.68	0.33	140.42	2.05	5.13
Index-linked					
6 Up to 5 years (1)	197.15	0.24	196.67	1.00	4.43
7 Over 5 years (11)	186.83	0.40	186.08	1.39	1.81
8 All stocks (12)	186.94	0.40	186.19	1.38	1.86

	Low coupon yield Jun 6	Jun 5	Yr. ago	Medium coupon yield Jun 6	Jun 5	Yr. ago	High coupon yield Jun 6	Jun 5	Yr. ago
5 yrs	7.42	7.50	7.65	7.46	7.54	7.66	7.56	7.64	7.71
15 yrs	8.17	8.22	7.93	8.20	8.23	7.95	8.27	8.31	8.07
20 yrs	8.25	8.29	7.94	8.26	8.29	7.96	8.30	8.35	8.05
Irred.†	8.26	8.31	7.98						

	Inflation 5% Jun 6	Jun 5	Yr. ago	Inflation 10% Jun 6	Jun 5	Yr. ago
Up to 5 yrs	2.76	2.88	3.15	1.34	1.45	1.64
Over 5 yrs	3.60	3.63	3.57	3.60	3.63	3.39

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date. UK GILTS PRICE INDICES: OVER 15 YEARS and ALL STOCKS XD ADJUSTMENTS YTD HAVE BEEN AMENDED. Details from FT-SE Intl. Tel 0171 448 1810.

FT FIXED INTEREST INDICES

	Jun 6	Jun 5	Jun 4	Jun 3	May 31	Yr ago	High*	Low*
Govt. Secs. (UK)	92.63	92.30	92.40	92.02	92.07	95.00	96.34	91.59
Fixed Interest	112.11	111.92	111.75	111.55	111.60	114.13	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jun 5	Jun 4	Jun 3	May 31	May 30
Gilt Edged bargains	72.1	79.2	77.1	81.0	80.0
5-day average	81.7	82.3	91.7	93.8	94.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 6

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on the day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated.

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UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Pound falls after UK interest rate cut

By Graham Bowley

A surprise quarter point cut in the UK base rate yesterday pushed the pound lower on the foreign exchanges but short sterling markets rallied.

The dollar stayed firm ahead of today's US employment report, gaining support from a rally in US Treasury bonds. The yen also barely moved as traders waited for today's other key event – the Japanese tankan business survey.

The D-Mark managed to retain its recent firmness against most other European currencies, despite rumours that the Spanish central bank intervened to support the peseta.

The French franc and the Danish krona experienced some weakness after the French and Danish authorities both moved to ease short-term money market interest rates.

Sterling's trade weighted index finished lower at 86.1 from 86.4. Against the D-Mark, the pound closed at DM2.3578 from DM2.3675, while against the dollar it finished at $1.5409 from $1.5483.

The dollar finished in London at DM1.5301 from DM1.5293. Against the yen it closed at Y109.2 from Y108.845.

The Spanish peseta closed at Pta84.56 against the D-Mark from Pta84.67.

■ Mr Kenneth Clarke, the UK chancellor, took most people by surprise yesterday when he lowered interest rates from 6 per cent to 5.75 per cent, the fourth cut in rates since December.

The pound was weighed down by some concern among economists and traders in the City of London that the move had been at least partly motivated by political reasons.

"A lot of people are interpreting it as politically motivated, which is hardly surprising since the market in general was pricing in higher interest rates by the end of the year," said Mr Mark Cliffe, international economist at HSBC Markets in London.

He said the move had "dented some of the enthusiasm for sterling" although he thought the move was justified given the current state of the economy.

"There is scope for further reductions in rates later this year," he said.

The chancellor mentioned the recent strength of sterling as one of the reasons for the rate cut – which one trader said "limited the upside for sterling in the future".

However, traders in the short sterling market appeared happy with the chancellor's move. Not only did the June short sterling contract rally, but longer-dated contracts also rose significantly - suggesting that traders did not see any increased threat to inflation further out.

The September contract rallied by almost a quarter of a percentage point to close at 94.07. The December contract rallied 20 basis point to 93.83, discounting interest rates of more than 6 per cent by the end of the year.

"Far from it being seen as an unsustainable last minute election bid, the market is going along with the base rate cut and is not seeing it as a threat to inflation," said Mr Tony Norfield, UK treasury economist at ABN AMRO in London.

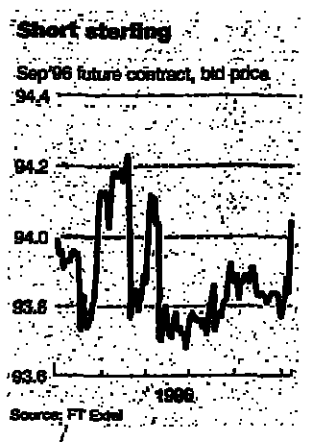
Mr Norfield said the latest cut in rates "could begin to take the shine off the pound" against the dollar but that sterling would remain firm against the D-Mark as long as the prospect of further German rate cuts remained.

■ The D-Mark's recent firmer trend on the European currency exchanges remained intact despite rumours that the Bank of Spain was in the market buying pesetas.

Mr Steve Barrow, currency analyst at Chemical Bank in London, said the rumours could reflect a feeling that the peseta's recent retreat against the D-Mark has been too swift for the Spanish authorites - in spite of their apparent contentment with the peseta's relative weakness against the D-Mark.

The cut in French and Danish interest rates reinforced the D-Mark's firmness. The French authorities cut the intervention rate by 10 basis points to 3.6 per cent. Denmark eased the repo rate from 3.8 per cent to 3.7 per cent.

Mr Barrow said the moves helped the perception that many European countries would not welcome further strengthening of their currencies against the D-Mark. Appreciation against the D-Mark might put deflationary pressure on their economies and perhaps upset any preparations to join the European exchange rate mechanism or European monetary union.



■ Pound in New York

Jun 6	---Latest---	-- Prev close --
£ spot	1.5420	1.5480
1 mth	1.5414	1.5482
3 mth	1.5406	1.5470
1 yr	1.5385	1.5385

■ OTHER CURRENCIES

Jun 6	£	$
Czech Rp	42.9848 - 43.0454	27.9030 - 27.9280
Hungary	230.351 - 230.548	149.530 - 149.580
Iran	4623.90 - 4621.59	3000.00 - 3000.00
Kuwait	0.4617 - 0.4622	0.2997 - 0.2999
Poland	4.1807 - 4.1706	2.7088 - 2.7059
Russia	7785.69 - 7794.35	5054.00 - 5057.00
U.A.E.	5.6576 - 5.6613	3.6726 - 3.6731

WORLD INTEREST RATES

MONEY RATES

June 6	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3¼	3½	7.00	2.50	-
week ago	3¼	3¼	3¼	3¼	3½	7.00	2.50	-
France	3⅞	3⅞	3⅞	3⅞	4⅛	3.60	-	5.60
week ago	3⅞	3⅞	3⅞	3⅞	4⅛	3.70	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
Ireland	5¼	5⅜	5⅜	5½	5¾	-	-	6.25
week ago	5¼	5⅜	5⅜	5½	5¾	-	-	6.25
Italy	9⅝	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.35
week ago	9⅝	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.25
Netherlands	2⅝	2¾	2¾	2¾	3⅛	-	3.00	3.30
week ago	2⅝	2¾	2¾	2¾	3⅛	-	3.00	3.30
Switzerland	2⅝	2⅝	2⅝	2⅝	2¾	5.00	1.50	-
week ago	2⅝	2⅝	2⅝	2⅝	2¾	5.00	1.50	-
US	5¼	5⅜	5⅜	5⅝	6	-	5.00	-
week ago	5⅜	5⅜	5⅜	5⅝	6	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
week ago	½	½	½	½	⅝	-	0.50	-

■ $ LIBOR FT London					
Interbank Fixing	-	5⅜	5½	5⅝	6¼
week ago	-	5⅜	5½	5⅝	6⅛
US Dollar CDs	-	4.93	5.11	5.31	5.72
week ago	-	4.93	5.04	5.25	5.65
ECU Linked Ds	-	4¼	4¼	4¼	4¼
week ago	-	4¼	4¼	4¼	4¼
SDR Linked Ds	-	3¼	3¼	3¼	3⅜
week ago	-	3¼	3¼	3¼	3⅜

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 6	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜
Danish Krone	4 - 3¾	4 - 3¾	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	[illegible]	[illegible]	[illegible]
Dutch Guilder	2¾ - 2⅝	2¾ - 2⅝	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	7½ - 7⅜	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	7¼ - 7⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	5¾ - 5⅝	5⅞ - 5⅝	[illegible]	5⅞ - [illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	2⅝ - 2½	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	4⅞ - [illegible]	[illegible] - 4⅝	4¾ - 4⅝	4⅞ - 4¾	[illegible]	[illegible]
US Dollar	[illegible] - 5⅛	[illegible]	5⅜ - 5¼	5½ - 5⅜	5⅝ - 5½	[illegible]
Italian Lira	[illegible]	9⅛ - 9	[illegible] - 9	[illegible]	8⅝ - [illegible]	[illegible]
Yen	[illegible] - ½	½ - ⅜	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3 - 2⅞	2¾ - 2⅝	2⅝ - 2½	2⅝ - 2½	2⅝ - 2½	2¾ - 2⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.96	96.03	+0.06	96.05	95.93	22,093	48,529
Sep	95.90	95.96	+0.06	96.00	95.85	41,049	54,267
Dec	95.78	95.85	+0.06	95.88	95.72	12,931	30,275

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.67	96.68	+0.02	96.70	96.66	16719	164722
Sep	96.71	96.74	+0.04	96.76	96.71	30849	247541
Dec	96.53	96.57	+0.05	96.59	96.53	32313	206760
Mar	96.25	96.30	+0.07	96.32	96.24	17232	171829

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.23	91.25	+0.04	91.27	91.21	5158	42182
Sep	91.82	91.86	+0.05	91.89	91.80	11041	44597
Dec	92.11	92.15	+0.05	92.16	92.10	2263	28696
Mar	92.14	92.19	+0.06	92.21	92.14	1120	12081

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.47	97.53	+0.03	97.53	97.47	3314	21354
Sep	97.48	97.54	+0.06	97.55	97.47	5495	38789
Dec	97.25	97.34	+0.06	97.34	97.25	836	15122
Mar	96.96	97.04	+0.05	97.04	96.96	657	7067

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.40	99.40	-	99.40	99.40	130	n/a
Sep		99.21	-0.02			0	n/a
Dec	98.93	98.94	-0.03	98.94	98.93	258	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.55	95.60	+0.05	95.63	95.55	1907	9175
Sep	95.54	95.62	+0.08	95.63	95.54	890	4940
Dec	95.44	95.52	+0.08	95.53	95.44	428	3701
Mar	95.25	95.33	+0.08	95.33	95.25	124	2499

* LIFFE futures also traded on APT

POUND SPOT FORWARD AGAINST THE POUND

Jun 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5911	-0.0694	818 - 003	16.6831	16.5506	16.5599	2.3	16.4849	2.6	-	-	104.8
Belgium	(BFr)	48.4952	-0.1864	749 - 155	48.7590	48.4100	48.5786	2.6	48.3686	2.6	47.3666	2.7	106.6
Denmark	(DKr)	9.1052	-0.0359	005 - 099	9.1523	9.0821	9.1288	1.9	9.0977	1.9	8.9759	1.8	107.2
Finland	(FM)	7.2431	-0.0154	354 - 507	7.2880	7.2080	7.2541	0.7	7.246	0.7	-	-	83.3
France	(FFr)	7.9931	-0.0315	906 - 955	8.0311	7.9769	8.0117	1.9	7.9967	1.9	7.8742	1.9	108.9
Germany	(DM)	2.3578	-0.0097	565 - 590	2.3713	2.3515	2.3628	2.4	2.3517	2.7	2.3063	2.6	108.3
Greece	(Dr)	372.436	-1.38	262 - 609	374.502	371.253	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9757	-0.0011	750 - 764	0.9772	0.9742	0.9763	0.6	0.9751	0.7	0.9706	0.6	99.2
Italy	(L)	2386.16	-6.65	485 - 747	2397.23	2380.06	2399.36	-3.3	2410.51	-3.0	2443.76	-2.1	76.5
Luxembourg	(LFr)	48.4952	-0.1864	749 - 155	48.7590	48.4100	48.5786	2.6	48.3666	2.6	47.9666	1.5	106.6
Netherlands	(Fl)	2.6390	-0.0103	378 - 402	2.6535	2.6320	2.6428	3.0	2.6294	3.0	2.5728	2.9	106.8
Norway	(NKr)	10.0845	-0.0366	761 - 929	10.1284	10.0338	10.1126	1.0	10.0956	1.0	10.0121	1.1	98.6
Portugal	(Es)	243.462	-0.759	322 - 603	244.571	242.975	244.646	-2.1	245.551	-2.2	-	-	94.4
Spain	(Pta)	199.462	-0.993	387 - 537	200.956	199.164	200.715	-1.6	201.23	-1.5	202.63	-1.1	80.1
Sweden	(SKr)	10.3891	-0.0221	788 - 993	10.4592	10.3652	10.4115	0.0	10.4116	0.0	10.4095	0.0	89.4
Switzerland	(SFr)	1.9374	-0.0057	361 - 386	1.9461	1.9318	1.9381	3.1	1.9273	3.3	1.8791	3.3	110.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.1
Ecu	-	1.2476	-0.0036	471 - 480	1.2525	1.2440	1.2499	1.2	1.247	1.4	1.2336	1.4	-
SDR†	-	1.072100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5388	-0.0083	382 - 393	1.5487	1.5381	-	-	-	-	-	-	-
Brazil	(R$)	1.5379	-0.0077	373 - 385	1.5456	1.5355	-	-	-	-	-	-	-
Canada	(C$)	2.1027	-0.013	017 - 036	2.1161	2.1013	2.115	0.4	2.1113	0.8	2.1033	0.6	84.5
Mexico	(New Peso)	11.5645	+0.0199	538 - 752	11.5811	11.5065	-	-	-	-	-	-	-
USA	($)	1.5409	-0.0073	405 - 413	1.5489	1.5383	1.5477	0.4	1.5469	0.3	1.5457	0.2	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.9601	+0.0094	589 - 612	1.9656	1.9536	1.9633	-1.6	1.9583	-1.6	1.9836	-1.7	93.4
Hong Kong	(HK$)	11.9240	-0.0541	201 - 278	11.9835	11.9049	11.97	0.8	11.9594	0.7	11.9386	0.3	-
India	(Rs)	53.6386	-0.3143	167 - 609	53.9580	53.6250	-	-	-	-	-	-	-
Israel	(Shk)	5.0486	-0.0252	427 - 545	5.0917	5.0385	-	-	-	-	-	-	-
Japan	(Y)	168.266	-0.242	146 - 387	169.450	167.460	167.763	5.2	166.293	5.3	159.878	5.1	134.2
Malaysia	(M$)	3.8492	-0.0178	474 - 509	3.8702	3.8427	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3056	+0.018	041 - 070	2.3131	2.2990	2.2926	-2.6	2.302	-2.5	2.3359	-2.1	105.5
Philippines	(Peso)	40.3331	-0.1975	687 - 975	40.9188	40.4882	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7789	-0.0275	772 - 806	5.8090	5.7694	-	-	-	-	-	-	-
Singapore	(S$)	2.1715	-0.0107	701 - 728	2.1844	2.1675	-	-	-	-	-	-	-
South Africa	(R)	6.7083	-0.0579	027 - 139	6.7699	6.7126	-	-	-	-	-	-	-
South Korea	(Won)	1212.61	-5.71	222 - 300	1218.83	1210.64	-	-	-	-	-	-	-
Taiwan	(T$)	42.6614	-0.33	426 - 801	43.0167	42.6340	-	-	-	-	-	-	-
Thailand	(Bt)	39.0757	-0.17	579 - 935	39.2850	39.0110	-	-	-	-	-	-	-

† Rates for Jun 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.7671	+0.0055	639 - 703	10.7900	10.7320	10.7476	2.2	10.7056	2.3	10.5221	2.3	104.6
Belgium	(BFr)	31.4720	+0.027	670 - 770	31.5060	31.3700	31.417	2.1	31.302	2.2	30.762	2.3	106.2
Denmark	(DKr)	5.9090	+0.0045	075 - 105	5.9117	5.8885	5.9015	1.5	5.8845	1.7	5.8155	1.6	106.4
Finland	(FM)	4.7006	+0.0121	968 - 043	4.7182	4.6732	4.6941	1.7	4.6821	1.6	4.6366	1.4	82.6
France	(FFr)	5.1873	+0.0039	870 - 875	5.1917	5.1692	5.1803	1.6	5.1661	1.6	5.0983	1.7	108.3
Germany	(DM)	1.5301	+0.0008	297 - 305	1.5323	1.5245	1.5276	2.0	1.5218	2.2	1.4936	2.4	107.5
Greece	(Dr)	241.700	+0.24	650 - 750	242.710	240.850	243.375	-8.3	246.725	-8.3	260.7	-7.9	67.1
Ireland	(I£)	1.5793	-0.0057	785 - 800	1.5855	1.5775	1.5798	-0.4	1.5807	-0.4	1.5722	0.4	-
Italy	(L)	1548.55	+2.96	810 - 900	1550.25	1543.65	1553.3	-3.7	1561.45	-3.3	1584.2	-2.3	76.1
Luxembourg	(LFr)	31.4720	+0.027	670 - 770	31.5060	31.3700	31.419	2.0	31.3125	2.0	30.832	2.0	106.2
Netherlands	(Fl)	1.7127	+0.0014	123 - 130	1.7184	1.7064	1.7093	2.3	1.7022	2.4	1.6704	2.5	106.2
Norway	(NKr)	6.5446	+0.007	408 - 483	6.5463	6.5069	6.5416	0.5	6.5361	0.5	6.4996	0.7	97.7
Portugal	(Es)	158.000	+0.25	950 - 050	158.050	157.600	158.315	-2.4	158.905	-2.3	161.05	-1.9	94.5
Spain	(Pta)	129.445	-0.035	430 - 460	129.850	129.100	129.695	-2.3	130.125	-2.1	131.665	-1.7	79.7
Sweden	(SKr)	6.7422	+0.0173	373 - 471	6.7586	6.7202	6.7533	-2.0	6.7707	-1.7	6.8127	-1.0	88.9
Switzerland	(SFr)	1.2573	+0.0022	568 - 578	1.2583	1.2520	1.2538	3.4	1.2463	3.5	1.2128	3.5	110.5
UK	(£)	1.5409	-0.0073	405 - 413	1.5489	1.5383	1.5404	0.4	1.5395	0.4	1.5384	0.2	86.0
Ecu	-	1.2352	-0.0022	350 - 353	1.2395	1.2350	1.236	-0.7	1.2376	-0.8	1.2465	-0.9	-
SDR†	-	0.69340	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-0.0007	985 - 987	0.9999	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	0.9981	-0.0003	979 - 982	0.9982	0.9979	-	-	-	-	-	-	-
Canada	(C$)	1.3646	-0.002	643 - 648	1.3670	1.3630	1.3644	0.1	1.3647	0.0	1.3675	-0.2	83.7
Mexico	(New Peso)	7.5050	+0.048	000 - 100	7.5100	7.5000	7.6665	-25.8	7.8515	-18.5	9.615	-28.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2719	+0.012	716 - 724	1.2724	1.2690	1.2739	-1.9	1.2774	-1.7	1.2961	-1.9	95.3
Hong Kong	(HK$)	7.7383	+0.0013	378 - 388	7.7388	7.7373	7.739	-0.1	7.7408	-0.1	7.7678	-0.4	-
India	(Rs)	34.8100	-0.04	100 - 100	35.0100	34.8100	34.96	-5.2	35.265	-5.2	36.735	-5.5	-
Israel	(Shk)	3.2764	-0.0009	734 - 794	3.2805	3.2716	-	-	-	-	-	-	-
Japan	(Y)	109.200	+0.355	150 - 250	109.520	108.770	108.755	4.9	107.855	4.9	104.116	4.7	135.1
Malaysia	(M$)	2.4980	+0.0002	975 - 985	2.4985	2.4974	2.4989	-0.4	2.505	-1.1	2.5285	-1.2	-
New Zealand	(NZ$)	1.4961	+0.0186	957 - 966	1.4968	1.4934	1.4992	-2.5	1.505	-2.4	1.5296	-2.2	-
Philippines	(Peso)	26.1750	-0.005	400 - 100	26.2100	26.1400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 505	3.7505	3.7502	3.7508	-0.1	3.7515	-0.1	3.7549	-0.1	-
Singapore	(S$)	1.4092	-0.0003	087 - 097	1.4105	1.4083	1.4057	3.0	1.3997	2.7	1.3742	2.5	-
South Africa	(R)	4.3535	-0.017	510 - 560	4.3760	4.3510	4.401	-13.1	4.491	-12.6	4.8285	-10.9	-
South Korea	(Won)	786.950	-	900 - 000	-	-	-	-	-	-	-	-	-
Taiwan	(T$)	27.6860	-0.0835	810 - 910	27.7950	27.6810	27.691	-0.2	27.696	-0.1	-	-	-
Thailand	(Bt)	25.3590	+0.009	540 - 640	25.3980	25.3400	25.4578	-4.7	25.6615	-4.8	26.544	-4.7	-

† SDR rate per $ for Jun 5 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 5: Base average 1990=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.48	4.863	2.013	4921	5.442	20.79	502.2	411.2	21.43	3.995	2.062	4.337	3.178	347.1	2.572
Denmark	(DKr)	53.26	10	8.779	2.590	1.072	2621	2.898	11.07	267.4	219.0	11.41	2.127	1.098	2.310	1.692	184.8	1.370
France	(FFr)	60.67	11.39	10	2.950	1.221	2985	3.302	12.61	304.6	249.5	13.00	2.423	1.251	2.631	1.928	210.6	1.560
Germany	(DM)	20.56	3.861	3.390	1	0.414	1012	1.119	4.275	103.3	84.56	4.406	0.821	0.424	0.892	0.654	71.37	0.529
Ireland	(I£)	49.68	9.329	8.190	2.416	1	2445	2.704	10.33	249.5	204.3	10.65	1.985	1.025	2.155	1.579	172.4	1.278
Italy	(L)	2.032	0.382	0.335	0.099	0.041	100.	0.111	0.422	10.21	8.357	0.435	0.081	0.042	0.088	0.065	7.054	0.052
Netherlands	(Fl)	18.37	3.450	3.029	0.894	0.370	904.1	1	3.820	92.27	75.56	3.937	0.734	0.379	0.797	0.584	63.77	0.473
Norway	(NKr)	48.11	9.033	7.930	2.339	0.968	2367	2.618	10	241.6	197.8	10.31	1.922	0.992	2.086	1.529	167.0	1.237
Portugal	(Es)	19.91	3.739	3.283	0.968	0.401	979.9	1.084	4.140	100.	81.89	4.267	0.795	0.411	0.864	0.633	69.12	0.512
Spain	(Pta)	24.32	4.566	4.009	1.183	0.489	1197	1.323	5.055	122.1	100.	5.211	0.971	0.502	1.055	0.773	84.40	0.625
Sweden	(SKr)	46.67	8.763	7.693	2.269	0.939	2296	2.540	9.702	234.4	191.9	10	1.864	0.962	2.024	1.483	162.0	1.200
Switzerland	(SFr)	25.03	4.701	4.126	1.217	0.504	1232	1.362	5.204	125.7	102.9	5.364	1	0.516	1.086	0.796	86.89	0.644
UK	(£)	48.49	9.105	7.993	2.358	0.976	2386	2.639	10.08	243.5	199.4	10.39	1.937	1	2.103	1.541	168.3	1.247
Canada	(C$)	23.06	4.330	3.801	1.121	0.464	1135	1.255	4.793	115.8	94.82	4.941	0.921	0.476	1	0.733	80.03	0.593
US	($)	31.47	5.909	5.187	1.530	0.633	1548	1.713	6.541	158.0	129.4	6.742	1.257	0.649	1.365	1	109.2	0.809
Japan	(Y)	28.81	5.410	4.749	1.401	0.580	1418	1.568	5.989	144.7	118.5	6.173	1.151	0.594	1.250	0.916	100.	0.741
Ecu		38.89	7.302	6.410	1.891	0.783	1913	2.116	8.083	195.3	159.9	8.332	1.553	0.802	1.685	1.236	135.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6537	0.6553	+0.0016	0.6563	0.6532	13,863	65,675
Sep	0.6560	0.6589	+0.0016	0.6597	0.6560	1,519	12,091
Dec	0.6630	0.6628	+0.0014	0.6645	0.6628	99	1,607

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7960	0.7975	+0.0011	0.7997	0.7958	7,960	38,928
Sep	0.7990	0.8034	+0.0010	0.8056	0.8020	762	7,459
Dec	-	0.8106	+0.0019	0.8115	-	6	861

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9190	0.9184	-0.0007	0.9205	0.9141	13,072	75,356
Sep	0.9285	0.9301	-0.0006	0.9320	0.9265	4,351	12,953
Dec	0.9421	0.9410	-0.0017	0.9425	0.9405	40	3,051

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5480	1.5434	-0.0054	1.5486	1.5374	7,992	66,714
Sep	1.5412	1.5420	-0.0050	1.5434	1.5386	851	7,336
Dec	-	1.5410	-0.0050	-	1.5410	7	73

UK INTEREST RATES

LONDON MONEY RATES

Jun 6	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 5½	6⅛ - 5⅝	6⅛ - 5¾	6⅛ - 5 13/16	6 3/16 - 5 13/16	6 7/16 - 6 5/16
Sterling CDs	-	-	5 13/16 - 5 23/32	5 13/16 - 5¾	5 15/16 - 5⅞	6 3/16 - 6⅛
Treasury Bills	-	-	5 11/16 - 5⅝	5 23/32 - 5 11/16	-	-
Bank Bills	-	-	5 13/16 - 5 23/32	5 25/32 - 5⅝	5¾ - 5 11/16	-
Local authority deps.	5 13/16 - 5 11/16	5 11/16 - 5 9/16	5 13/16 - 5 11/16	5⅞ - 5¾	6 - 5⅞	6 5/16 - 6 3/16
Discount Market deps	6⅛ - 5¾	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on May 31, 5.8344pc. ECGD fixed rate Stlg. Export Finance. Make up day May 31, 1996. Agreed rate for period Jun 26, 1996 to Jul 23, 1996, Schemes II & III 7.35pc. Reference rate for period May 1, 1996 to May 31, 1996, Schemes IV & V 6.104pc. Finance House Base Rate 6.5pc from Jun 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.92	94.09	+0.17	94.12	93.92	43185	61509
Sep	93.86	94.09	+0.25	94.09	93.85	48430	73505
Dec	93.65	93.85	+0.22	93.88	93.64	42051	72166
Mar	93.33	93.50	+0.19	93.56	93.33	25659	50146
Jun	92.97	93.12	+0.17	93.14	92.97	9279	38752

Also traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9400	0.09	0.16	0.16	0	0.07	0.31
9425	0	0.05	0.08	0.16	0.21	0.48
9450	0	0.02	0.03	0.41	0.43	0.68

Est. vol. total, Calls 27610 Puts 7281. Previous day's open int., Calls 164257 Puts 127592

BASE LENDING RATES

	%
Adam & Company	6.00
Allied Trust Bank	5.75
AIB Bank	6.00
●Henry Ansbacher	5.75
Bank of Baroda	6.00
Banco Bilbao Vizcaya	6.00
Bank of Cyprus	6.00
Bank of Ireland	5.75
Bank of India	6.00
Bank of Scotland	6.00
Barclays Bank	5.75
Brit Bk of Mid East	5.75
●Brown Shipley & Co Ltd	6.00
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	6.00
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	6.00
Duncan Lawrie	6.00
Exeter Bank Limited	7.00
Financial & Gen Bank	7.00
●Robert Fleming & Co	5.75
Girobank	6.00
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk	6.00
●Hill Samuel	6.00
C. Hoare & Co	6.00
Hongkong & Shanghai	5.75
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	6.00
• Mount Credit Corp	6.25
NatWestminster	6.00
●Rea Brothers	5.75
Royal Bk of Scotland	6.00
●Singer & Friedlander	5.75
●Smith & Williamson Secs.	5.75
TSB	5.75
United Bank of Kuwait	6.00
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	6.00

● Members of London Investment Banking Association
• In administration

EMS EUROPEAN CURRENCY UNIT RATES

Jun 6	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.14090	-0.00226	-0.52	2.04	4
Spain	162.493	161.880	-0.172	-0.38	1.89	3
Belgium	39.3960	39.3419	-0.0309	-0.14	1.64	1
Ireland	0.792214	0.791967	+0.001535	-0.03	1.54	0
Germany	1.91007	1.91288	-0.00188	0.15	1.35	-1
Portugal	195.792	197.556	+0.083	0.90	0.60	-6
France	6.40508	6.48700	+0.00118	1.28	0.24	-11
Denmark	7.28580	7.38640	-0.00901	1.38	0.12	-9
Austria	13.4383	13.6404	+0.1665	1.50	0.00	-11
NON ERM MEMBERS						
Greece	292.867	301.999	-0.002	3.12	-1.57	-
Italy	2106.15	1937.61	+4.8	-8.00	10.33	-
UK	0.786652	0.811606	+0.002386	3.17	-1.62	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.490	5.77	5.80	5.86	-	0.07	0.25
1.500	4.77	4.84	4.97	-	0.12	0.27
1.510	3.77	3.93	4.14	-	0.21	0.45
1.520	2.80	3.08	3.37	-	0.35	0.68
1.530	1.94	2.38	2.68	0.08	0.53	0.99

Previous day's vol., Calls 3,602 Puts 5,216 . Prev. day's open int., Calls 192,294 Puts 187,982

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.46	94.47	+0.02	94.48	94.46	24,811	344,873
Sep	94.19	94.24	+0.05	94.26	94.19	47,910	373,961
Dec	93.84	93.92	-	93.95	93.84	61,073	398,177

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.93	94.94	+0.03	94.94	94.83	1,306	6,357
Sep	94.68	94.71	+0.04	94.73	94.68	72	5,369
Dec	94.44	94.49	+0.08	94.50	94.44	24	1,387

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9650	0.19	0.26	0.27	0.28	0.01	0.02	0.03	0.04
9675	0.01	0.07	0.09	0.10	0.08	0.08	0.10	0.11
9700	0	0.01	0.02	0.03	0.32	0.27	0.28	0.29

Est. vol. total, Calls 2925 Puts 4094. Previous day's open int., Calls 384880 Puts 400510

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9775	0.02	0.08	0.10	0.24	0.29	0.51
9800	0.01	0.04	0.05	0.48	0.50	0.71

Est. vol. total, Calls 200 Puts 0. Previous day's open int., Calls 10949 Puts 6971

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9125	0.07	0.73	1.09	0.07	0.12	0.13
9150	0.03	0.54	0.82	0.26	0.18	0.17
9175	0.01	0.36	0.64	0.51	0.25	0.24

Est. vol. total, Calls 920 Puts 100. Previous day's open int., Calls 50664 Puts 27421

De Beers Centenary Finance PLC

(Incorporated in the Isle of Man under the Companies Acts 1931 to 1993 Registered Number 66056C)

£100,000,000 9¾ PER CENT GUARANTEED BONDS DUE 2020 (the 'Bonds')

INTEREST PAYMENT NO. 3

Interest on the Bonds for the six months ending 30 June 1996 at the rate of £487.50 per £10,000 in principal amount of the Bonds will be paid on 1 July 1996 as follows:-

i) To holders of Bonds in registered form registered as such on 14 June 1996; and

ii) To holders of Bonds in bearer form by presentation and surrender of coupon no. 3 detached from Bearer Bonds to any of the following paying agents:-

Morgan Guaranty Trust Company of New York, 60 Victoria Embankment, London EC4Y 0JP

Swiss Bank Corporation, Paradeplatz 6, CH-8010 Zurich, Switzerland

Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium

Banque Paribas Luxembourg, 10A boulevard Royal, L-2093 Luxembourg

The ex-interest date on the London Stock Exchange is 3 June 1996. Payment of interest will, where applicable, be subject to deduction of United Kingdom income tax.

Registered and Head Office: 6 Hope Street, Castletown, Isle of Man, IM9 1AS

Registrar: Royal Bank of Scotland plc, Registrars Department, PO Box No. 82, Caxton House, Redcliffe Way, Bristol BS99 7NH

3 June 1996

Base Rate

Morgan Grenfell & Co. Limited announces that its Base Rate has been amended from 6% to 5.75% per annum with effect from 6 June 1996 until further notice.

All facilities (including regulated consumer credit agreements) with a rate linked to Morgan Grenfell & Co. Limited Base Rate will be varied accordingly.

Morgan Grenfell & Co. Limited
23 Great Winchester Street, London EC2P 2AX
Regulated by The Securities and Futures Authority

Deutsche Morgan Grenfell

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, MERCHANT
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING & CONSTRUCTION
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Cont.
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

EXTRACTIVE INDUSTRIES - Cont.
[illegible]

FOOD PRODUCERS
[illegible]

FOOD PRODUCERS - Cont.
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HOUSEHOLD GOODS
[illegible]

INSURANCE
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Cont.
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28½	—	£34½	£28½	1,904	2.9	Φ
Barlow	$†	980	—	£10½	55½	1,359	2.0	–
Gold Flds Prop R		1332	—	170	130	13.8	6.7	9.9
JKK Props.		75	—	95	75	3.91	12.7	–
SASOL	▼	654	—	710	475	3,829	1.8	–
SA Brews		£19½xd	—	£28½	£17½	5,688	1.9	Φ
Standard Bank	□	£24½	+⅛	£32½	£20½	2,895	1.6	19.8
Tiger Oats	†	876	—	1270	805	1,316	1.9	[illegible]
Tongaat-Hulett		800xd	—	1247	685	757.3	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ▼ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

LGT Asset Management Ltd - Contd.

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (a)

Falcon Market Fund Plc

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (a)

Fresh Korea Fund

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

For ATC Fund Management see Sphinx International

AXA Equity & Law Intl Fund Mgs

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Lombard Odier (Jersey) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Fidelity Funds - Contd.

[illegible]

Sarasin Investment SICAV (u)

Schroder International Selection Fd (u)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
Wells Fargo U.S. IT Fund				
Worldwide Limited				
NAV Apr 30	$84.44		—	-
Xiphias International Investment Fd Ltd				
Zenett Lombardier Ltd				
NAV May 1	$182.34		—	-
Zulauf Investment Management AG				
Zulauf Europe Ltd NAV May 31	DM107.77		—	-
Zweig-DiMenna International Limited				
NAV May 31	$15202		—	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(W) - 0001 to 1100 hours
(X) - 1101 to 1400 hours
(Y) - 1401 to 1700 hours
(Z) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
v - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
◊ - Yield column shows annualised rates of NAV increase

The fund prices on these pages are also available on the internet at www.FT.com

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LONDON STOCK EXCHANGE

MARKET REPORT

Equities take little cheer from surprise rate cut

By Steve Thompson,
UK Stock Market Editor

A quarter of a percentage point reduction in UK interest rates – the third cut this year – took London's stock market completely by surprise and prompted a useful rally in share prices yesterday.

But the rise was capped somewhat by a widespread view that the rate cut had perhaps been driven more by politics than economics.

At the close, the FT-SE 100 index was 6.9 higher at 3,760.3. The FT-SE Mid 250 index, meanwhile, never looked really convincing and settled a net 4.6 firmer at 4,480.6.

Sentiment in the market was also heavily influenced by events in the US, where the Dow Jones Industrial Average initially made rapid progress, moving up 26 points, before coming off quickly in subsequent trading and progressing again.

US Treasury bonds, which were up over a point shortly after the start of trading, responded to a bigger than expected increase in benefit claims. The news comes in front of today's crucial non-farm payroll report, regarded as one of the most important US economic indicators.

Dealers have been looking for an increase of 185,000 in US jobs, with a figure much in excess of that seen as likely to induce renewed weakness in US bonds and shares. The latter have been badly hit over the past couple of weeks amid worries that inflationary pressures could be building up.

Mr Ian Harnett, equity market strategist at SGST, the French-owned securities house, and one of the few observers to have highlighted the potential for a rate cut, insisted that, if UK economic growth remains weak, there will be more reductions. Forecasting that the Footsie will hit 4,000 by the year-end, Mr Harnett said "the UK is a low interest rate, low inflation and growing economy".

Mr Richard Jeffrey, group economist at Charterhouse, the merchant bank, adopted a much more cautious line. "The cut was a substantial surprise; the area of the economy that will be most affected will be the consumer side, retail sales, and housing – areas not needing a push." He said the market's response "means it is not convinced there is a rationale for a cut; the chancellor may be falling into a political trap, with the inevitable consequences for economic policy after a general election".

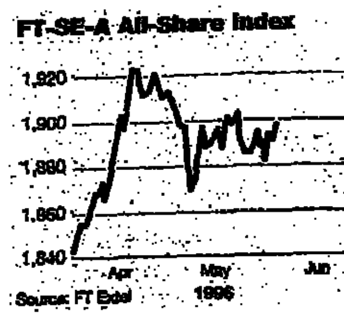
The Footsie began the session on a quietly firm note, held up by the 31-point rise in the Dow overnight and the absence of the much rumoured mega-rights issue.

But a series of relatively small cash calls, including a £139m rights issue from Mayflower, the engineering group, and a placing of around £108m worth of Medeva stock, was enough to remind dealers of the potential fund raising in the wings.

There were plenty of good performances around the sectors, with Pilkington emerging as top gun in the Footsie league after good results and in the wake of the rate cut. Northern Electric's bigger than expected dividend increase saw the shares race higher.

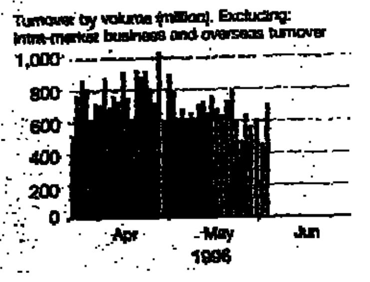
Turnover in equities at 6pm came out at 855.3m shares, and was boosted by some big bed and breakfast, or tax-related, trades in British Gas and BTR. Retail business on Wednesday was valued at £1.75bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3760.3	+6.9	FT Ordinary Index	2799.3	+6.4
FT-SE Mid 250	4480.6	+4.6	FT-SE-A Non Fins p/e	16.86	16.80
FT-SE-A 350	1902.4	+3.2	FT-SE 100 Fut Jun	3764.0	+8.0
FT-SE-A All-Share	1888.69	+3.20	10 yr Gilt yield	7.97	8.08
FT-SE-A All-Share yield	3.81	3.81	Long gilt/equity yld ratio:	2.18	2.19

Best performing sectors

1. Engineering: Vehicles .... +1.2
2. Building: Mats & Merchs .... +1.1
3. Electronic & Elect Equip .... +1.1
4. Electricity .... +0.8
5. Health Care .... +0.8

Worst performing sectors

1. Extractive Inds .... −2.0
2. Tobacco .... −1.4
3. Retailers: Food .... −1.0
4. Banks: Retail .... −0.6
5. Water .... −0.3

Approval hopes lift Beecham

SmithKline Beecham rose as word leaked into the market that the pharmaceuticals group was poised to resolve an impasse over one of its key drugs.

Some dealers said the company was holding confidential talks yesterday with the US Food and Drug Administration over approval for Kredex, its treatment for congestive heart failure.

SmithKline Beecham would only say: "We are in ongoing discussions with the FDA and we have already supplied long term data from Australia and New Zealand, which has been published in the leading medical journals."

If approval was granted, that would be good news for the company. Analysts estimate that the treatment is worth up to £200m a year in sales. And at the beginning of May SmithKline Beecham plunged 49½p after the FDA rejected approval and demanded more information. Yesterday the shares firmed 5 to 681p.

Midland hints

Midland Independent Newspapers rose 3 to 124p as a big stake sale prompted speculation of a possible takeover.

Some 17.5m shares were placed at 117p a share in two large blocks. That stake represents around 12.6 per cent and the only shareholders with that kind of presence are Candover, which was involved in the original funding, and Cin-Ven. One of them could have pulled out following Midland's profits warning earlier this week.

One analyst suggested the stake could have been passed on to Newsquest, the former Reed regional newspaper group. Newsquest was said to have been interested in Emap's regional newspaper interests which this week were sold to Johnston Press. However, Midland Independent sources said Newsquest was involved in another project at the moment and the shares actually went to existing shareholders.

Ladbroke declines

US speculation hit UK leisure and gaming company Ladbroke, sending the shares 5½ lower to 186½p, the day's worst performer in the Footsie. Volume was 9.6m.

Newspaper reports that Hilton Hotels, of the US, was about to make a major acquisition cast doubt on the possibility of a merger between Hilton Hotels Corp and Ladbroke's Hilton International.

The reports were given further credence when trading in Hilton Corp shares was initially delayed.

In London, the speculation prompted heavy selling of Ladbroke. After the London market closed it was confirmed that Hilton Hotels Corp is to acquire Bally Gaming.

Glass giant Pilkington bounced strongly following solid figures and a results statement that was not as cautious as analysts had feared.

The shares advanced 6½ to 204½p in above average turnover of 5.8m.

Johnston Group jumped 105p to 478p on the news that conglomerate TT Group planned to tender for a 27 per cent stake in the builder at 500p a share.

Sentiment at BAA showed signs of wavering, as a top broker was said to have moved from "buy" to "hold" on the stock in the run-up to the airport group's regulatory review.

The Monopolies and Mergers Commission hands its findings to the Civil Aviation Authority on Monday and the review of BAA's landing fees is due on July 10. "The element of uncertainty has begun to sap sentiment," said one dealer.

There was also talk that next week's results statement will be less than sparkling. "Ahead of a price review, no company is going to go all out to impress," said an analyst. The shares rose a penny to 487p.

News that British Aerospace has linked up with Boeing, of the US, to compete for a £2bn Ministry of Defence order pushed the shares to a new all-time high.

The Boeing venture combined with a revival of talk about a stock market flotation for the Airbus consortium, in which BAe has a 20 per cent stake. The talk appeared to stem from plans for a US analysts' trip to Airbus plants in France.

BAe, which stood at 425p at the start of 1995, closed 22 higher at 913p.

Siebe shot forward as brokers upgraded forecasts following strong results. The meeting with analysts was said to have been very positive. SGST moved up by 5 per cent to £425m for this year and shifted from "hold" to "buy". The stock ended 11 higher at 879p.

As if to prove that big deals and rights issues can sometimes be good news for shares, Mayflower jumped 12½ to a new 1996 peak of 129p. The group, capitalised at around £280m, has plunged into a £172m US takeover and plans a 13% for 1 rights issue at 95p to help pay for the deal.

RTZ, one of the world's biggest mining groups, fell 23½ to 987½p in reaction to a dramatic slide in the price of copper, which fell more than 11 per cent to hit a two-year low in London and New York.

ABN Amro Hoare Govett estimates copper earnings represent about 40 per cent of the company's profits and it has recommended that investors sell the shares down to 950p.

The interest rate cut also fuelled retail stocks, with beneficiaries including Dixons, 13½ dearer at 507p, and Kingfisher, which moved forward 10½ to 615p.

Full-year results for Boots, which nudged up 2 to 608p, were at the bottom end of expectations. One analyst said that the main determinant on the price, which is on a discount to the sector, was hopes of a share buyback.

Boots gave no clear indication of the future of Do It All, its DIY chain jointly owned with W.H. Smith. Analysts said it might acquire the whole chain, a sentiment that left W.H. Smith 10 higher at 455p.

European Telecom made a strong debut, closing at 139p compared with a flotation price of 115p.

Speculation over the future of Tom Cobleigh – with European Acquisition Capital considering the disposal of its 50 per cent stake in the independent brewer, which fell 6 to 244p – added a sparkle to a number of second tier pub and restaurant companies. Century Inns rose 5 to 165p, Yates Brothers 5 to 391p and Regent Inns 22 to 1185p.

The prospect of yesterday's surprise rate cut being the last in the cycle hit bank shares.

One analyst pointed out that any rise in inflation resulting from the rate cut would erode the banks' capital base. Worst hit was Barclays, which fell 13½ to 768p following a recent strong run.

Food producer and health-care products group Unilever hardened 6 to 1218p, in trade of 2.4m, after BZW upgraded its recommendation on the stock.

In the leisure sector, football issues moved strongly ahead. Manchester United jumping 32 to 463p, while Tottenham Hotspur gained 23 to 461p, as talk went round the market that a lucrative television deal will be unveiled today.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Jun 6	Jun 5	Jun 4	Jun 3	May 31	Yr ago	*High	*Low
Ordinary Share	2799.3	2792.9	2792.2	2777.2	2791.8	2545.9	2885.2	2696.7
Ord. div. yield	3.98	3.99	3.99	4.01	4.00	4.21	4.06	3.76
P/E ratio net	16.23	16.16	16.16	16.11	16.16	15.91	17.25	15.96
P/E ratio nil	16.02	15.96	15.97	15.90	15.94	15.67	17.08	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2797.2	2796.7	2798.0	2799.3	2798.3	2800.8	2802.6	2806.1	2799.9	2806.1	2794.7

	Jun 6	Jun 5	Jun 4	Jun 3	May 31	Yr ago
SEAQ bargains	33,724	32,595	31,716	35,574	33,026	23,703
Equity turnover (£m)†	-	1755.7	1946.8	1255.9	1664.2	1511.3
Equity bargains†	-	37,969	39,505	37,931	38,722	34,417
Shares traded (m)†	-	581.3	711.0	452.3	602.5	570.0

†Excluding intra-market business and overseas turnover.

	Jun 6	Jun 5	Jun 4	Jun 3	May 31	Yr ago	*High	*Low
FT-SE AIM	1102.00	1101.40	1104.30	1110.10	1140.40	-	1140.40	965.88

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	677	Total Highs	130	Total contracts	50,477
Total Falls	459	Total Lows	21	Calls	22,892
Same	1,609			Puts	27,585

Jun 6 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3764.0	3764.0	+8.0	3785.0	3757.0	15110	43743
Sep	3769.0	3769.5	+7.5	3787.5	3796.5	3345	17006
Dec	3800.0	3794.0	+5.0	3800.0	3800.0	8	817

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4490.0	+5.0			0	1469

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
-	F.P.	44.2	102	101	AIM Trust
100	F.P.	78.5	105	100	Aberforth Smlr C
-	F.P.	4.18	55	43	Biocompatibles W
105	F.P.	12.5	124	118	†CA Coutts
90	F.P.	10.9	106	98	†Carisbrooke
-	F.P.	54.5	81	36	†Emtech
-	F.P.	22.1	116	88	†Epic Multimedia
115	F.P.	43.2	139	130	European Telecom
-	F.P.	23.1	97½	91	Gartmore Select
-	F.P.	1.38	65	50	†Hercules Prop
100	F.P.	7.74	115	112	Hydro-Dynamic P
-	F.P.	27.4	101	50	INVESCO E & I C
-	F.P.	14.2	116	108	†Independent Engy
-	F.P.	6.30	5½	3¾	†Just Group
200	F.P.	44.8	300	253	Luminar
-	F.P.	117.1	288	220	Malden Group
-	F.P.	34.9	203	188	†Mulberry Group
-	F.P.	26.6	205	180	†Prism Rail
190	P.P.	2,082	229	205	Railtrack
70	F.P.	32.7	123	103	Recognition Sys
-	F.P.	5.03	98	43	†Reflec
-	F.P.	24.5	99	96	Renaissance US G
-	F.P.	16.9	75	75	SEA Multimedia
-	F.P.	18.8	198	96	Schroder Venture
-	F.P.	-	97	92	Taiwan Inv Tst C
-	F.P.	22.5	15	7¼	†Thomas Potts
-	F.P.	2.99	56	43	†Tom Hoskins
84	F.P.	3.84	95	91	†Whitecross

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jun 5	% chg on day	Jun 4	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2246.89	−3.2	2319.31	1881.87	1.37	-	2529.73	1722.93
■ Regional Indices								
Africa (13)	3057.17	−1.6	3107.93	2513.57	2.36	41.70	3553.86	2272.74
Australasia (6)	2583.82	−1.7	2628.68	2137.02	2.54	29.10	2927.34	2098.51
North America (12)	1967.45	−4.1	2052.03	1668.76	0.69	69.96	2186.39	1488.94

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FT-SE Actuaries Share Indices — The UK Series

	Jun 6	Day's chge%	Jun 5	Jun 4	Jun 3	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3760.3	+0.2	3753.4	3755.2	3739.2	3380.6	4.03	2.15	14.42	83.77	1536.93
FT-SE Mid 250	4480.6	+0.1	4476.0	4492.5	4505.5	3898.1	3.38	1.74	21.16	88.80	1797.28
FT-SE Mid 250 ex Inv Trusts	4523.0	+0.1	4518.3	4536.2	4551.4	3707.5	3.48	1.79	20.02	90.83	1816.80
FT-SE-A 350	1902.4	+0.2	1899.2	1901.5	1896.5	1678.7	3.88	2.07	15.54	41.15	1589.12
FT-SE-A 350 Higher Yield	1831.7	+0.3	1827.1	1830.6	1828.0	1701.0	5.14	1.92	12.68	48.54	1278.66
FT-SE-A 350 Lower Yield	1980.4	+0.1	1978.8	1979.8	1972.3	1655.2	2.73	2.34	19.57	34.06	1371.62
FT-SE SmallCap	2244.36	-0.2	2239.10	2232.39	2229.39	1884.01	2.80	1.77	24.27	30.02	1840.26
FT-SE SmallCap ex Inv Trusts	2245.53	+0.2	2241.42	2231.42	2228.28	1841.16	3.06	1.86	21.95	31.68	1852.73
FT-SE-A ALL-SHARE	1888.69	+0.2	1885.49	1887.09	1882.29	1658.48	3.81	2.05	16.00	39.59	1802.13

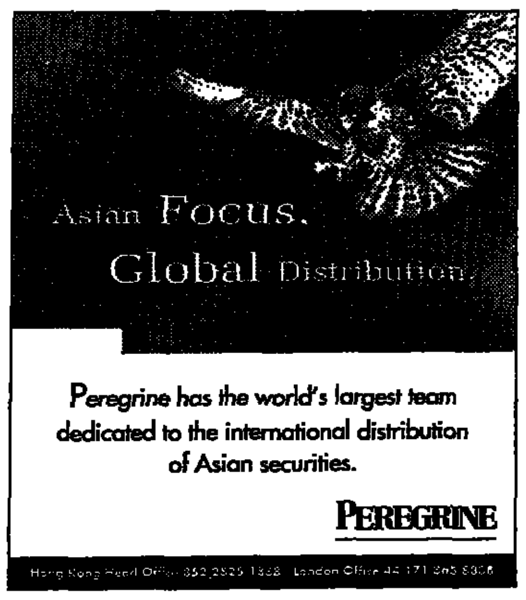
■ FT-SE Actuaries All-Share

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
British Gas†	47,000	190½	+1
British Land	78	407	+1
British Steel†	6,300	175½	+1½
Bunzl	198	237	
Burmah Castrol†	179	1043	+1
Burton†	6,000	158½	+1¼
Cable & Wire†	6,700	431	-2½
Cadbury Schweppes†	4,600	489	-2
Caradon	917	231	+1
Carlton Comms.†	3,000	490	+1
Chubb	1,500	338	-16
Coats Viyella	856	181	+3
Comm. Union†	1,700	599	+3
Compass	1,900	597	+4
Cookson†	1,500	315½	+2½
Courtaulds†	635	430	-3
Dalgety	387	380½	+½
De La Rue	817	639	+6
Dixons†	2,100	507	+13½
East Midland Elec.	476	577	+3
Electrocomps.	405	381	+3
Eng China Clays	2,800	271	+2
Enterprise Oil†	87	463	-1
Eurotunnel Units	887	103	-2½
FKI	499	169	-2
Foreign & Col. I.T.†	752	159½	+½
Gen. Accident†	1,700	667	
General Elect.†	8,300	371	+6
Glaxo Wellcome†	5,600	834	+3
Glynwed	850	341	
Granada†	2,800	829	
Grand Met.†	4,500	438	+5½
GUS†	2,100	686	+2
Greenalls†	1,500	578	
GRE†	1,300	274	
GKN†	100	890	+13
Guinness†	1,600	459	-2
HSBC (75p shs)†	4,000	990	+7
Hammerson	853	368	+2
Hanson†	6,200	182½	-½
Harrisons Crosfield	758	145	
Hays	1,600	448	-1
Hillsdown	774	177½	-2½

WORLD STOCK MARKETS



INDICES

	Jun 6	Jun 5	Jun 4	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u) 18148.56	17711.17	18881.86		20/5	15828.61	19/3
Australia							
All Ordinaries(1/1/80)	2213.8	2229.7	2236.0	2326.00	25/4	2187.40	11/3
All Mining(1/1/80)	1040.1	1067.1	1078.7	1118.40	8/5	1004.70	16/1
Austria							
Credit Aktien(30/12/84)	(c)	391.92	391.65	394.99	31/5	352.78	2/1
Traded Index(2/1/91)	(c)	1138.89	1134.81	1142.51	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1757.29	1760.94	1754.31	1773.26	28/5	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(c)	55679.0	55994.0	57108.00	28/5	43801.00	2/1
Canada							
Metals Minls◆(1975)	(u)	5326.27	5375.90	5834.60	8/5	4887.47	18/1
Composite◆(1975)	(u)	5194.90	5224.50	5238.90	22/5	4739.70	15/1
PortfolioSS(4/1/83)	(u)	2536.79	2551.09	2585.55	27/5	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(c)	5331.32	5309.20	5804.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	403.37	(c)	401.45	407.87	29/5	358.40	2/1
Finland							
HEX General(28/12/90)	2034.24	2043.15	2055.65	2070.42	31/5	1851.67	10/1
France							
SBF 250(31/12/90)	1457.56	1449.53	1447.69	1457.58	6/6	1280.18	2/1
CAC 40(31/12/87)	2133.22	2115.35	2111.00	2146.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	(c)	898.49	895.92	904.83	23/5	818.55	2/1
Commerzbank(1/12/53)	(c)	2591.10	2574.10	2601.90	23/4	2370.20	2/1
DAX(30/12/87)	(c)	2552.53	2546.25	2578.78	21/5	2284.86	2/1
Greece							
Athens SE(31/12/80)	916.37	922.90	926.10	1017.95	4/3	901.03	29/4
Hong Kong							
Hang Seng(31/7/64)	11225.83	11092.51	11066.91	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3830.31	3813.05	3793.46	3989.87	24/4	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	613.22	616.07	615.92	638.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2576.0	2566.05	2540.67	2576.08	6/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	664.98	661.92	663.04	674.10	20/5	572.21	23/3
MIB General(2/1/58)	1127.0	1122.0	1124.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21804.46	21881.43	21858.12	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	309.70	310.89	310.90	318.09	26/4	284.48	11/3
Topix(4/1/68)	1668.48	1675.10	1675.55	1718.00	26/4	1524.12	13/3
2nd Section(4/1/68)	2306.15	2214.27	2208.07	2243.28	2/5	1962.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1134.75	1135.39	1133.62	1169.54	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(c)	3257.24	3228.34	3382.88	22/5	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	650.6	648.9	645.9	650.60	6/6	539.50	2/1
CBS All Shr(End 83)	385.9	384.9	383.1	385.90	6/6	328.70	2/1
New Zealand							
Cap. 40(1/7/86)	2025.18	2044.43	2036.05	2203.06	4/1	2025.18	6/6
Norway							
Oslo SE(Ind)(2/1/83)	1446.55	1441.68	1439.86	1448.55	6/6	1258.66	30/1
Philippines							
Manila Comp(2/1/85)	3237.28	3238.57	3215.04	3286.30	30/5	2578.57	2/1
Portugal							
BVL 30(4/1/93)	(c)	1885.22	1887.30	1895.89	30/5	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	587.11	581.41	581.03	610.37	5/2	553.89	2/1
South Africa							
JSE Gold(28/9/78)	1915.8♥	1976.5	2013.2	2030.48	29/5	1348.40	2/1
JSE Ind.(28/9/78)	8037.5♥	7999.5	8013.6	8739.30	25/1	7723.20	20/5
South Korea							
KoreaCmpEx**(4/1/80)	(c)	913.25†	909.43	986.84	7/5	838.87	13/3
Spain							
Madrid SE(30/12/85)	365.00	362.58	361.84	366.00	6/6	320.75	11/1
Sweden							
AffarsvarldnGen(1/2/37)	2019.0	2006.2	2000.7	2019.00	6/6	1708.69	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1732.59	1727.24	1730.64	1779.54	26/4	1518.19	17/1
SBC General(1/4/87)	1228.32	1221.47	1220.48	1259.89	26/4	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6019.05	5951.86	5921.82	6182.79	29/4	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1283.59	1276.81	1290.79	1415.84	6/2	1247.79	13/3
Turkey							
Istanbul Comp.(Jan 1986)	63848.4	62310.2	63181.2	72086.80	8/4	38779.30	2/1
WORLD							
MS Capital Intl$(1/1/70)	778.2*	779.5	776.3	780.30	22/5	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1687.85	1684.32	1681.25	1689.17	28/5	1584.49	11/1
Euro Top-100(26/6/90)	1447.61	1442.85	1442.83	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(c)	375.94	375.49	383.18	16/4	344.19	2/1
ING Brngs Emrg(7/1/92)	161.22	160.46	160.83	164.14	14/5	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Jun	2102.0	2119.0	+21.0	2123.0	2101.0	17,332	53,853
Jul	2100.0	2116.5	+21.0	2120.0	2100.5	402	6,386
■ DAX							
Jun	2551.0	2553.5	-	2560.5	2549.5	11,405	160,067
Sep	2570.0	2572.0	-1.0	2577.0	2568.5	1,006	9,674
■ OMX							
Jun	1578.00	1589.00	+12.5	1593.00	1578.00	2,620	18,349
Jul	1591.25	1594.00	+3.00	1596.00	1591.25	76	1,253
■ SOFFEX							
Jun	3560.0	3582.0	+33.0	3583.0	3556.0	5,103	29,534
Jul	3583.0	3590.0	+27.0	3590.0	3583.0	92	2,738

** Sat Jun 1: Taiwan Weighted Price 5983.39; Korea Comp Ex 907.98. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3, NYSE All Common – 50 and Standard and Poor's – 10. §§ ... (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Jun 6 - 2559.02 +7.89.

† Correction. * Calculated at 15.00 GMT. @ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jun 5	Jun 4	Jun 3	1996 High	1996 Low	Since compilation High	Since compilation Low
Transport	2252.25	2238.12	2237.98	2298.20 (22/5)	1882.71 (18/1)	2298.20 (22/5/96)	12.32 (8/7/32)
Utilities	210.87	209.82	208.50	234.80 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5718.53 (5697.84) Low 5631.35 (5616.58) (Theoretical◆)
Day's high 5699.32 (5671.99) Low 5656.84 (5625.81) (Actual◆)

Standard and Poors	Jun 5	Jun 4	Jun 3	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	678.44	672.56	667.68	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	807.88	801.98	796.82	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	68.56	67.68	66.74	68.56 (5/3)	58.67 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	363.38	360.80	358.27	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	606.27	607.44	608.71	614.89 (22/5)	529.05 (16/1)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1249.14	1243.68	1238.73	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	May 31	May 24	May 17	Year ago
Dow Jones Ind. Div. Yield	2.18	2.15	2.17	2.48
	June 5	May 29	May 22	Year ago
S & P Ind. Div. yield	1.83	1.88	1.83	2.21
S & P Ind. P/E ratio	22.74	22.38	22.71	18.77

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
K-Mart	4,672,700	11¼	+⅛
EMC	4,443,600	23⅛	+1⅛
Wal-Mart	3,920,600	26	-⅛
Bay Network	3,430,600	28⅛	-1
Barrick Gold	3,098,600	29⅝	-1⅝
Morrison Kn	2,837,800	7½	-⅛
Coca Cola	2,829,600	47⅜	+1⅛
Merck	2,489,900	66⅛	+⅝
Alza	2,370,600	28⅛	-⅛
SGL Carbon	2,301,900	36¾	+2⅛

■ TRADING ACTIVITY

● Volume (million)	Jun 5	Jun 4	Jun 3
New York SE	375.376	385.586	316.938
Amex	26.737	25.540	22.478
NASDAQ	686.357	663.493	541.333
NYSE			
Issues Traded	3,163	3,132	3,144
Rises	1,402	1,429	990
Falls	960	903	1,294
Unchanged	801	800	860
New Highs	116	112	85
New Lows	18	22	25

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	679.00	679.00	+0.25	682.30	677.90	61,001	150,437
Sep	688.00	684.85	+0.30	688.10	683.90	9,155	43,437

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	22010.0	21650.0	-	22060.0	21780.0	23,285	225,829
Sep	22130.0	21890.0	-70.0	22140.0	21850.0	20,750	132,544

Open interest figures for previous day

PACIFIC

AFRICA

NORTH AMERICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, June 6, 1996

	Stocks Traded	Closing Prices	Change on day
Kanematsu Corp	14.6m	748	+28
Fuji Hvy Inds	8.4m	508	+11
Clarion	5.9m	528	+28
Teijin	4.3m	578	+4
Showa Ele Wire	4.3m	629	-2
Furukawa Elect	3.4m	657	+15
Asahi Chem Ind	3.4m	806	+14
Nippon Stl Corp	2.8m	358	+1
Fujikura	2.7m	895	+10
Nagasakiya	2.7m	856	-10

4 pm close June 6

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	18⅛	AAR	0.48	2.2	23	171	21⅝	21¼	21½	-¼
46⅛	38⅞	AMP	1.00	2.4	20	4552	41⅛	40¾	40⅞	-⅜
97½	66	AMR			23	4849	96⅝	94¾	96⅛	+1¾
50½	37⅞	ASA	1.80	4.2	28	1287	43¼	42½	42⅝	-¼
44¾	38⅛	Abbott	0.86	2.2	19	11883	43⅞	43⅜	43½	-⅜
17¼	13¼	AbitibiPr x	0.40	3.0	6	353	13½	d13¼	13⅜	-⅛
38¾	27	ABM Ind	0.70	1.9	18	140	37⅝	37¼	37¼	-⅜
17⅞	13⅞	Acceptance			46	113	u17⅞	17⅝	17¾	+⅛
50⅜	37¾	ACE Ltd	0.56	1.3	10	2841	45⅞	44¼	44⅜	-⅝
9⅞	9⅛	ACM Gvt In x	0.90	9.2	6	562	u9⅞	9⅝	9¾	
7⅞	6¾	ACM GvOpp x	0.57	8.4		135	6⅞	d6¾	6¾	
7¼	6¼	ACM Gvt Sp x	0.68	10.8		67	6⅜	d6¼	6¼	
9⅛	8¼	ACM Gvt Se x	0.90	10.6		60	8⅝	8½	8½	
9½	8¾	ACM Man x	0.90	10.1		330	9	8⅞	8⅞	-⅛
30¾	16½	AcmeCle	0.52	1.7	7	21	29¾	29¼	29¾	
13⅞	6⅛	Acme Elect			62	460	11⅝	11⅛	11¼	-⅜
32½	27¾	Acordia x	0.80	2.5	19	22	32⅜	32⅛	32¼	+⅛
21⅜	12	Acuson			84	527	18¾	18¼	18½	+¼
19½	18⅞	Adams Expr	1.66	8.6	0	91	u19½	19⅜	19⅜	+⅛
21⅛	18⅛	AdvMic			7	3880	17⅝	17⅛	17¼	-⅜
11⅛	8½	Advest Grp	0.16	1.5	7	53	10¾	10⅝	10⅝	
26⅛	9⅛	Advo Inc	0.10	0.9	59	349	11	10¾	10¾	-¼
50⅜	41⅛	Aegon	1.19	2.4	15	24	48⅝	48½	48¾	+¼
6¾	3½	Aeroflex			4	196	6¼	6⅛	6¼	
78¼	66⅝	AetnaL	2.76	3.7	19	8156	74¾	74	74	+¼
33	28¾	Aflac	0.40	1.3	12	3689	30¼	29¾	29⅞	-⅛
20⅜	17⅞	AGL Res	1.08	6.0	15	751	17¾	17½	17⅝	-⅛
27⅝	21¼	Ahmanson	0.88	3.2	7	3871	u27⅝	26⅞	27⅛	+⅛
60⅞	50⅜	AirPrC	1.10	1.9	15	2555	58⅜	56½	56½	-⅞
29⅜	23½	Airborne Frt	0.30	1.2	23	667	25⅛	24¾	25⅜	+⅝
22½	15½	Airgas Inc			32	384	20¾	19⅝	19⅝	-1⅛
18⅞	15	Airlease	2.00	11.9	10	71	16⅞	16⅝	16¾	
33⅝	25⅝	AirTch			102	5096	31½	[illegible]	[illegible]	[illegible]

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4 pm close June 6

NYSE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from previous page

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅝	19¼	SciAtl x	0.06	0.3	46	822	19	18⅞	18¾	-⅛
21	17	Scotsman	0.10	0.5	12	8	20¼	20⅛	20⅛	-⅛
45¼	38⅛	Scripps	0.52	1.2	26	760	u45¼	44⅞	44⅞	+⅛
18⅛	14½	ScuddNAsF	0.02	0.1		84	14⅞	14¾	14¾	
12½	11	ScuddrNEuF	0.16	1.3		62	12⅜	12¼	12¼	-⅛
20½	16	SeaCnB	0.70	3.5	2	6	19⅝	19¾	19¾	-⅛
16	15	SeaCt 4625	1.46	9.7		7	15⅛	15⅛	15⅛	-⅛
67¼	44¾	S'gate			21	11810	67¾	56⅞	56½	-1⅛
38⅝	31¾	Seagrm	0.60	1.7	24	1897	35½	35	35⅛	-¼
24⅝	17⅛	Seagull En			14	573	21⅞	21½	21⅞	
38⅛	26	Sealed Air			28	275	36	35¾	35¾	-⅛
53¼	38¾	SearsR x	0.92	1.8	15	10841	52⅝	52	52⅜	+⅝
22⅞	19¼	SecCapSBI	1.24	5.5	22	1714	u22⅞	22¼	22⅜	
13	11⅞	Salgm Sel	0.84	6.5		65	12⅞	12⅝	12⅞	+⅛
23¾	13⅝	Sensormat	0.22	1.2	18	3545	19¼	18⅞	18⅞	+¼
41	28½	SequaA	0.60	1.5	105	57	40⅛	39¾	40⅛	+½
43⅛	35	SequaB	0.50	1.2	113	21	u43⅛	43	43⅛	+⅛
59½	38⅞	ServCp	0.48	0.8	30	1937	u59½	58⅞	59	+⅛
39½	29⅛	SvMstr	1.02	3.1	14	715	33⅛	32¾	32⅞	
6	4½	ServMerch			11	3946	6	5¾	5¾	
48¼	28½	SGSThm			9	1743	41⅞	41⅛	41¼	-⅛
15⅛	10⅝	Shaw Ind	0.30	2.2	40	2027	13½	13⅛	13½	+¼
12⅞	10⅝	Shelby Wil	0.28	2.4	14	60	11¾	11½	11¾	+¼
87	78⅝	ShellTr	3.26	3.8	17	1028	86¾	86¼	86¼	+⅛
47	39	SherW	0.70	1.6	19	957	45¼	44⅞	44⅞	-¼
12⅞	7⅞	Shoneys			13	578	12¾	12½	12½	
33⅝	21	Showboat	0.10	0.3	44	5251	30⅛	29⅝	29⅞	+⅞
26½	22¾	Sierra Pac	1.16	4.9	11	111	24	23¾	24	+⅛
8	5¼	SignalApp			1	7	5¼	d5¼	5¼	-¼

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¾	21¼	Yankee Egy	1.30	5.9	12	15	21⅞	21¾	21⅞	+⅛
53¾	43⅞	York Int	0.36	0.7	23	1599	53⅝	52⅞	53¾	
3⅞	3	Zapata	0.14	3.9	9	328	3⅝	3⅝	3⅝	
25¾	5⅞	ZenithE			6	3535	13⅞	13⅛	13¾	-⅝
28	21½	Zenith Nat	1.00	3.6	39	40	27⅞	27⅝	27⅝	
7⅛	6½	Zenix Inc	0.72	10.7		308	6⅞	6⅝	6¾	
22⅞	15⅞	Zero	0.12	0.5	20	559	u22⅞	22¼	22⅞	
23¾	19⅞	Zurn Ind	0.40	1.9	15	496	21⅛	20⅝	20¾	-⅛
11⅞	10¾	Zweig Fund	1.12	10.1		167	11⅛	11	11⅛	+⅛
9	8½	Zweig Tot	0.84	9.9		201	8⅝	d8½	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. [illegible] u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

¶ Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close June 6

AMEX PRICES

4 pm close June 6

AMERICA

Dow see-saws after a tech stocks retreat

Wall Street

A bright start to US stock trading soon clouded over and by midsession the Dow Jones Industrial Average was see-sawing around its opening level, *writes Maggie Urry in New York*.

A strong bond market lifted prices early on, but they weakened when the technology sector retreated, led by Digital Equipment.

In the first few minutes of trading, the Dow jumped more than 25 points, spurred by the bond market's rise after jobless figures suggested that the economy was slowing. However, falls in leading technology stocks weighed on the market and by 1pm the Dow was up only 7.01 at 5,704.49, while the Nasdaq index, weighted towards the technology sectors, fell 5.60 to 1,243.65.

The broader indices were lower, with the Standard & Poor's 500 down 0.07 at 678.37 and the American Stock Exchange composite 3.09 lower at 605.18. NYSE volume totalled 255m shares.

Goldman Sachs, the investment bank, cut its forecast for Digital Equipment, the computer maker, citing slower demand for personal computers and from the European market. Digital's shares fell $1⅞ or 3.8 per cent to $47¾.

In its wake, IBM, a Dow constituent, dropped $3⅞ to $102⅞, and Sun Microsystems, traded on Nasdaq, fell $1⅝ to $65.

America Online, which slid $5⅝ on Wednesday, dropped a further $1⅜ to $46⅞ for a two-day fall of 13 per cent. Downgrades by two brokers started the selling.

A profits warning from Micro Warehouse, a computer retailer, after the market closed on Wednesday, caused the shares to tumble by a third in heavy trading on the Nasdaq market. The price dropped $11⅞ to $23.

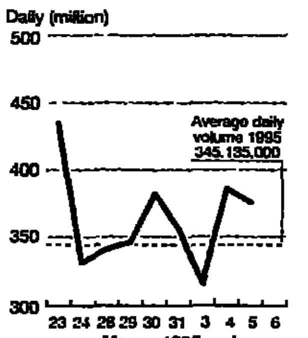
The company said that forecasts for the second quarter and the year were too high, as sales of Apple Macintosh products had been weak. It said it would write off $8m of goodwill related to its Apple Mac business.

Wednesday's profits warning from Whirlpool, the domestic appliance maker, continued to bear down on the shares. They fell $2 to $53⅜, after weakening $1¼ the previous day.

In takeover activity, the long-rumoured agreed deal between Hilton Hotels and Bally Entertainment had the former's shares up $4 at $118⅜ and Bally's ahead $2⅜ at $27⅞, not far short of the $29⅞ price set by the stock-swap terms.

The agreed acquisition of AT&T Capital for $2.2bn by a leasing consortium lifted the shares $3 to $44, just shy of the $45 bid price. AT&T, the telephone company, still owns 86 per cent of AT&T Capital, and its shares stayed at $62⅛.

NYSE volume



Canada

Toronto was weak in midsession trade, mainly on selling sparked by the prolonged tumble in precious metals shares.

The TSE 300 composite index was 37.51 lower by noon at 5,157.40 in hefty volume of 66.5m shares.

Diving gold shares were topped by Arequipa Resources, which lost C$4.55 to C$18.75 in brisk trading. Another gold stock, Bre-X Minerals, dropped C$3.15 to C$19.65.

EUROPE

Bourses encouraged by further interest rate cuts

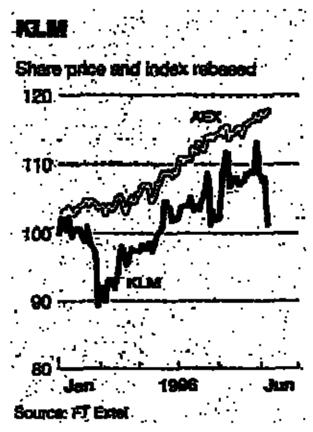
Equities hit a second consecutive closing high in AMSTERDAM in spite of the public holiday in Germany, which thinned turnover, and a fairly cautious domestic tone which left 11 AEX constituents higher, 11 lower and three unchanged. The key index closed 1.07 better at 571.76.

The softly, softly approach applied to the winners, too. Unilever certificates extended Wednesday's gain on the dollar and on talk of a UK broker's upgrade, adding Fl 2 at Fl 238.40; and ING rose 50 cents to Fl 55.10, after early profit-taking in financials.

There seemed more excitement in the losers. KLM, weak after its results on Wednesday, fell another Fl 1.90 to Fl 57.10 as a research note from Generale Bank rated the stock as a sell, saying that the outlook for its cargo division was cloudy, and that its alliances with other airlines were turbulent.

Meanwhile, Lehman Brothers put out a sell note on Nutricia. The broker was not mean about its attractions, describing Nutricia as one of the most attractive European food manufacturing companies, with strong earnings growth prospects for the next two years. But it said the shares were 30 per cent above valuation, with a target of Fl 140; they fell Fl 1.70 yesterday to Fl 177.50.

KLM



Source: FT Extel

PARIS was encouraged by the Bank of France's decision to join the round of interest rate cuts. The CAC-40 index closed 17.87 higher at 2,133.22, in turnover of FFr4.82bn.

The oil group Elf Aquitaine climbed FFr10.80 to FFr388.10, and Total followed with a gain of FFr7.60 at FFr384.60. Mr Michael Woodcock at Williams de Broë said that Elf had been having a series of meetings with analysts; it forecast a 20 per cent increase in first-half net income.

Rhône-Poulenc, a winner on Wednesday, rose another FFr2.30 to FFr133.30; it transpired that its Rhône-Poulenc Rorer pharmaceuticals arm was selling some $400m in US assets to Medeva, of the UK. The assets were obtained with the 1995 acquisition of Britain's Fisons; RPR has sold $636m in Fisons assets so far.

Canal Plus, which dropped FFr64 on Wednesday, shed only another FFr5 at FFr1,194, but the shares hit FFr1,170 early in the day before the group declared that a digital satellite television alliance with Bertelsmann and BSkyB was not dead, in spite of news reports that it had failed.

ZURICH saw a flurry in banks, supported by an upgrade of the sector from UBS. The broad market was also firmer, bolstered by bonds and Wall Street's early performance, and the SMI index finished 13.5 higher at 3,585.5.

SBC, recommended by UBS, moved ahead SFr5 to SFr231. UBS bearers picked up SFr15 to SFr1,183.

SGS Surveillance rose SFr115 to SFr2,920 after the shareholders approved a plan to allow the group to buy back more of its own shares.

Swissair picked up another SFr35 to SFr1,280 on news that the airline had topped BAA's bid for the duty free business of Alders.

Danzas, facing a challenge on corporate governance from two British investors seeking to join the board, rose SFr90 to SFr1,460 on speculative buying.

Elektrowatt gave up another SFr5 to SFr438, still suffering from Wednesday's half-year earnings report.

MILAN was helped by firmer domestic bonds and sharp rises in the prices of individual stocks in otherwise quiet trade and the Comit index finished 3.06 ahead at 664.98.

Sirti, the cable laying group, appreciated L350 to L10,290 on a press report that the government was planning to begin the sell-off this year of a number of non-core activities of the state industrial holding company IRI.

However, Stet, which presented a positive outlook for 1996 at its shareholders' meeting in Turin, edged just L9 higher to L5,335 on suggestions that its privatisation would be delayed until next year.

Parmalat strengthened L90 to L3,056 in further response to its meeting with analysts in London on Wednesday. The often volatile Benetton jumped L738 to L20,375.

MADRID, sensitive to interest rates and to other bourses, hit another new high with the general index 3.42 ahead at 366.0, lifted by gains of 1.5 per cent in Telefónica, and 1.6 per cent in electricity utilities.

Telefónica traded in more than 4m shares as it rose Pta35 to Pta4,350 on substantial foreign buying; in utilities, lifted by the interest rate cuts, investors bet on possible strategic position-taking in a few smaller companies. Fecsa rose Pta26 to Pta980, and Union Fenosa by Pta24 to Pta515.

COPENHAGEN celebrated the Danish, UK and French interest rate cuts, the KFX index closing 1.07 higher at 114.40. ISS, recovering a little from its traumatic US experience, ended DKr15, or 13.5 per cent, stronger at DKr126.

HELSINKI saw more disappointment than satisfaction in the day's tertial reports: Amer, the sporting goods manufacturer, fell FM10, or 11.9 per cent, to FM74 and Outokumpu, the metals and mining group, declined by FM2 to FM81.

Instrumentarium, the health care equipment manufacturer, put in higher than expected four-month profits and rose FM6.40 to FM141.40, but the Hex index closed 6.91 lower at 2,034.34.

ISTANBUL took a roller coaster ride, falling by 2.6 per cent at one point in response to news that the prime minister, Mr Mesut Yilmaz, was to resign to bring an end to the troubled coalition government.

However, the market soon turned round on renewed optimism over the prospects for a new government. The IMKB index picked up from a low of 60,713 to close 1,538.21, or 2.5 per cent, higher on the day at 63,848.41.

The session's most active shares were those of the utility Kepez Elektrik, which added TL3,000 at TL69,000. Another utility, Cukurova, gained TL2,000 at TL56,000.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jun 6 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1685.45	1685.48	1685.99	1685.67	1685.10	1686.01	1688.36	1687.65
FT-SE Eurotrack 200	1730.86	1729.51	1729.01	1729.96	1730.32	1731.44	1733.16	1732.51

	Jun 5	Jun 4	Jun 3	May 31	May 30
FT-SE Eurotrack 100	1684.32	1681.26	1677.46	1687.08	1679.37
FT-SE Eurotrack 200	1728.80	1727.74	1719.12	1734.96	1726.50

Base value 1000 (26/10/90). High/day: 100 - 1689.31; 200 - 1734.22 Low/day: 100 - 1684.69 200 - 1728.13. † Partial.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei awaits tankan as Hong Kong gains 1.2%

Tokyo

Many investors took to the sidelines at the approach of today's tankan, the Bank of Japan's quarterly survey of business confidence, and both share prices and trading volume fell away, *writes Our Markets Staff*.

After two days on the upgrade, the Nikkei 225 average closed 76.97 down at the day's low of 21,804.46, against a high of 22,032.96. Volume fell from 314m shares to 292m, the lowest in over three weeks.

The broader Topix index fell 6.62 to 1,668.48 and the Nikkei 300 by 1.19 to 309.70. Declines led rises by 681 to 308, with 224 issues unchanged.

In London the ISE/Nikkei 50 index put on 2.18 at 1,463.45.

Equities started firmer, backed by the dollar's rise above Y109 and Wall Street's gains overnight; but they turned easier by mid-afternoon, coming under pressure from selling of speculative issues such as Tokai Kogyo, down Y200 at Y920, Daido Steel Sheet, off Y100 at Y1,800, and Kanematsu-NNK Corp, which fell Y200 to Y4,700.

This triggered more general selling by dealers, to cover losses stemming from declines in the speculative stocks, where selling had mounted on worries about a shortage of funds held by speculators.

On Monday, Shin Kyoto Shinpan, a Kyoto-based finance company which had provided funds for the speculators, filed for bankruptcy with debts totalling Y350.7bn.

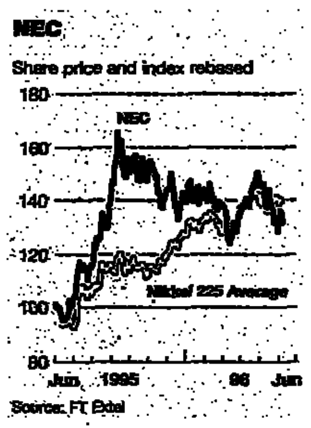
Winning sectors included land transport, fisheries, non-ferrous metal, credit/lease and rolling stock. Key losers were mining, oil, telecoms, chemicals and insurance shares.

NEC dropped Y30 to Y1,190 in 1.55m shares traded following news that it plans to reduce its monthly output of 16-megabit dynamic random access memory (DRAM) chips by 2m to 9m in August.

Among the individual winners, Fujitsu Heavy Industries, the maker of brand cars, rose Y11 to Y508 in 8.4m shares dealt, bought as a laggard in the automobile sector; Asahi Chemical added Y14 at Y806 in Y3.4m volume following news that one of its drugs, developed for treating cerebral haemorrhage, had shown anti-Aids properties in early laboratory tests.

In Osaka, the OSE average slipped 72.27 to 23,119.83.

NEC



Source: FT Extel

Roundup

The overnight strength of US stocks and bonds propelled HONG KONG 1.2 per cent higher, and the Hang Seng index ended 133.32 up at 11,225.83 in improved turnover of HK$4.7bn.

On a longer term view, however, a market review by ING Barings painted a less attractive picture of the market than its last review in November. It said that with only a 10 per cent return expected for the end of the year, investors should look to Thailand, Malaysia and Japan for higher returns.

Among leading index stocks, HSBC rose HK$1 to HK$118, Bank of East Asia added 55 cents at HK$28.55 on expectations of a spin-off of its United Chinese Bank arm, and Swire A firmed 75 cents to HK$67.

Li Ka-shing's Cheung Kong gained HK$1.25 at HK$56.25 and its Hutchison associate picked up HK$1.10 to HK$49.70 after further details of the planned spin-off of their infrastructure and AsiaSat operations were unveiled.

TAIPEI picked up 1.1 per cent and the weighted index broke through resistance at 6,000 in what brokers called a celebratory rise after President Lee Teng-hui retained Taiwan's pro-business premier, Lien Chan. Prices were also supported by hopes that the cabinet, which was expected to be reshuffled shortly, would announce measures to boost the economy. The index ended 67.19 higher at 6,019.05 in active turnover of T$49.3bn.

Plastics led the gains, with the sector index climbing 3.8 per cent on international polypropylene price rises.

SYDNEY, however, was driven lower by a sell-off in gold mining companies and other resource sector stocks, after a drop overnight in the price of gold and a weaker base metals market, led by a sharp downturn in the price of copper. The All Ordinaries index dipped 15.9 to 2,213.8, while the gold's sub-index dropped 3 per cent.

Among gold mining issues, Plutonic Resources declined 30 cents to A$6.85 and Sons of Gwalia 28 cents to A$9.10.

SINGAPORE ran into profit-taking which brought prices back from their best levels, and the Straits Times Industrial index closed a net 7.45 up at 2,334.26.

KUALA LUMPUR was pressured by falls in key index stocks but small-capitalisation issues continued to attract interest. The composite index finished 0.64 easier at 1,134.75, while the second board index rose 4.41 to 433.35.

SHANGHAI's hard currency B index hit a 1996 low as investors poured cash into the newly listed Shanghai Buili Building Materials at the expense of other shares. The index ended down 0.300 points at 47.417, remaining below support at 48 points which was breached on Wednesday.

BOMBAY beat off late profit-taking to close higher, helped by foreign institutional buying, with the BSE-30 index finally ahead 17.26 at 3,830.31.

BANGKOK ended at its best level of the day on late demand for recently pressured banking issues, and the SET index rose 6.98 to 1,283.59 but in light turnover of Bt4.1bn. Against the trend, Thai Military Bank shed Bt1 to Bt96.

WELLINGTON was dismal, worried by New Zealand's political and interest rate malaise. The NZSE-40 index closed 19.25 lower at 2,025.18 in turnover of NZ$38.5m.

The Warehouse continued its inexorable slide, losing 23 cents at NZ$2.01 after last Friday's sharply lower annual results. It had lost NZ$1.66, or 45 per cent, in a week, as analysts looked critically at its figures, and prospects.

JAKARTA remained unimpressed by the Indonesian trade deregulation measures, and foreign-led selling of index heavyweights left the JKSE composite index with a decline of 2.86 at 613.22.

● Seoul was closed.

Flying start for Astra

A fresh surge in the Argentine oil company, Astra, got trade off to a positive start in Buenos Aires, setting the stage for an extension of Wednesday's rally.

The Astra stock, which had leapt 9.6 per cent on Wednesday, climbed a further 6.3 per cent to 2.55 pesos on news that a controlling stake had been sold to Spain's Repsol. Wednesday's rise in the shares, coupled with strong gains in the bellwether stock, YPF, drove the Merval index 3.1 per cent ahead, recouping most of losses seen earlier in the week. By noon yesterday the index had added 5.10 at 603.71.

SANTIAGO turned down as it continued to absorb news that the GT Chile Growth Fund would sell a large part of its portfolio by August. The select index was 17.4 weaker in midday trade at 1,809.2.

Analysts noted that while the sell-off of stock, said to be worth $225m, would dwarf daily turnover on the bourse, the market should be able to absorb the sales provided prices were low enough.

S African industrials ahead

Johannesburg was mixed, with industrials struggling higher in afternoon trade and golds sinking on the tumbling bullion price.

Industrial shares dipped at the start of trade before moving into positive territory, fuelled by Wall Street's overnight show of strength.

Gold shares began to fall from the start of trade but their decline tailed off in spite of the weakening metal price. Analysts noted that some issues had bounced off intraday lows; Eastvaal, which at one stage was more than 5 per cent down, finished with a net decline of 2.5 per cent.

The overall index put on 13.0 at 6,828.0, industrials rose 38.0 to 8,037.5 and golds fell 60.9 to 1,915.6.

Malbak was up 65 cents at R22, Loraine receded R1.25 to R17.75, Kloof fell R3.25 to R50.50, Johnnic advanced R4.50 to R56.50 and Pep softened 50 cents to R8.00.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 5 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 4 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (79)	202.62	-1.0	194.03	139.41	161.10	168.79	-0.3	4.35	204.63	195.74	141.02	162.96	170.31	212.18	162.68	165.58
Austria (25)	195.04	0.6	186.77	134.19	155.07	154.99	0.4	1.81	193.97	185.54	133.67	154.47	154.39	199.28	168.11	197.70
Belgium (27)	211.55	0.8	202.58	145.55	168.20	164.05	0.7	4.06	209.85	200.73	144.62	167.12	162.92	215.61	186.06	198.40
Brazil (28)	166.98	-0.7	159.90	114.88	132.76	306.86	-0.7	2.11	169.22	160.91	115.93	133.98	309.11	171.06	123.97	146.26
Canada (99)	164.05	-0.5	157.09	112.87	130.43	162.34	-0.6	2.34	164.80	157.64	113.57	131.24	163.32	165.12	134.14	140.94
Denmark (30)	293.11	0.1	280.68	201.67	233.04	235.39	0.0	1.91	292.69	279.98	201.71	233.09	235.39	305.17	275.65	282.26
Finland (23)	197.36	-1.0	188.99	135.79	156.91	194.20	-1.1	2.57	199.41	190.75	137.43	158.80	196.30	278.11	171.73	214.34
France (97)	196.14	0.5	187.83	134.95	155.95	159.48	0.2	3.01	195.63	187.13	134.82	155.79	159.15	198.39	167.70	188.05
Germany (60)	169.26	0.6	162.09	116.46	134.57	134.57	0.4	1.96	168.32	161.01	116.00	134.04	134.04	174.38	155.66	157.53
Hong Kong (59)	433.17	-0.1	414.81	298.03	344.40	430.28	-0.1	3.31	433.63	414.80	298.84	345.33	430.74	451.19	348.81	374.82
Ireland (16)	286.24	0.9	274.10	196.94	227.57	254.45	1.0	3.37	283.65	271.33	195.48	225.89	251.99	288.24	228.88	230.30
Italy (59)	82.08	-0.4	78.60	56.47	65.26	94.74	-0.4	2.32	82.44	78.86	56.82	65.65	95.15	84.53	67.22	75.98
Japan (481)	154.35	0.1	147.81	106.20	122.72	106.20	-0.1	0.72	154.19	147.49	106.26	122.79	106.26	164.68	137.75	153.11
Malaysia (107)	556.80	0.5	533.19	383.09	442.69	535.64	0.3	1.68	554.05	529.98	381.83	441.22	534.16	585.08	425.77	561.96
Mexico (18)	1269.31	0.5	1215.49	873.31	1009.18	10348.81	0.8	1.37	1263.47	1208.58	870.73	1006.17	10261.10	1325.65	791.99	960.62
Netherland (19)	299.18	0.8	286.50	205.84	237.87	233.68	0.6	3.07	296.96	284.06	204.65	236.49	232.40	299.18	245.79	250.49
New Zealand (15)	77.75	0.0	74.46	53.50	61.82	61.00	0.4	4.50	77.73	74.36	53.57	61.90	60.76	85.48	76.26	82.63
Norway (35)	253.18	0.3	242.44	174.19	201.29	224.68	0.1	2.02	252.53	241.56	174.03	201.11	224.32	255.75	221.20	222.40
Singapore (44)	415.81	0.9	398.18	286.08	330.59	270.08	0.9	1.41	412.26	394.35	284.11	328.31	267.59	465.21	355.81	414.26
South Africa (45)	359.86	-0.4	344.60	247.59	286.11	343.76	-0.5	2.11	361.18	345.49	248.91	287.63	345.38	437.76	338.91	346.92
Spain (37)	175.79	0.0	168.33	120.95	139.76	172.43	0.3	3.22	175.76	168.13	121.13	139.97	171.86	179.85	145.15	149.18
Sweden (48)	359.52	-0.2	344.27	247.36	285.84	357.92	0.3	2.25	360.08	344.44	248.15	286.75	356.96	360.08	259.66	265.84
Switzerland (38)	233.53	0.3	223.63	160.68	185.67	181.72	0.1	1.63	232.93	222.81	160.53	185.50	181.54	252.34	191.24	198.46
Thailand (46)	174.91	-1.5	167.40	120.27	138.99	171.99	-1.4	1.92	177.41	169.70	122.26	141.28	174.48	193.95	146.74	175.26
United Kingdom (201)	235.67	-0.2	225.68	162.15	187.37	225.68	-0.1	4.11	236.16	225.90	162.75	188.07	225.90	237.43	210.29	218.27
USA (627)	276.47	0.9	264.75	190.22	219.81	276.47	0.9	2.14	274.06	262.16	188.87	218.25	274.06	276.47	215.77	219.15
Americas (772)	252.43	0.8	241.73	173.68	200.70	212.19	0.8	2.14	250.38	239.51	172.55	199.40	210.47	252.43	197.68	200.86
Europe (715)	210.48	0.1	201.56	144.82	167.35	184.82	0.1	3.04	210.24	201.11	144.89	167.43	184.80	211.35	187.21	190.51
Nordic (136)	305.94	-0.2	292.97	210.50	243.24	267.73	0.0	2.22	306.49	293.18	211.22	244.08	267.82	306.49	250.62	254.77
Pacific Basin (831)	167.41	0.1	160.31	115.18	133.10	117.36	-0.1	1.17	167.32	160.05	115.31	133.25	117.42	177.01	148.86	163.28
Euro-Pacific (1546)	185.25	0.1	177.40	127.46	147.29	142.92	0.0	2.08	185.10	177.06	127.56	147.41	142.87	190.57	166.51	174.51
North America (726)	269.52	0.8	258.09	185.44	214.28	268.82	0.8	2.14	267.29	255.68	184.20	212.86	266.61	269.52	211.12	214.30
Europe Ex. UK (514)	191.70	0.3	183.57	131.89	152.41	160.20	0.2	2.46	191.14	182.84	131.73	152.22	159.82	192.67	166.40	171.29
Pacific Ex. Japan (350)	288.67	-0.2	276.43	198.61	229.51	248.96	0.0	3.07	289.17	276.61	199.28	230.28	249.00	296.68	243.59	260.79
World Ex. US (1736)	186.58	0.1	178.67	128.37	148.34	147.41	0.0	2.08	186.47	178.37	128.51	148.50	147.41	191.65	167.38	175.10
World Ex. UK (2162)	212.36	0.5	203.36	146.11	168.84	180.28	0.4	1.90	211.36	202.18	145.66	168.32	179.51	213.05	180.73	185.46
World Ex. Japan (1882)	247.55	0.5	237.05	170.32	196.82	234.63	0.5	2.50	246.31	235.61	169.75	196.15	233.44	247.55	205.87	208.74
The World Index (2363)	214.47	0.4	205.38	147.56	170.52	184.58	0.4	2.10	213.60	204.32	147.20	170.10	183.88	214.70	183.83	188.33

Latest prices were unavailable for this edition. Market closed 5/6/96: Denmark.

THE BAHAMAS

Back to a straight and narrow path

The government is working hard to lure back the wealthy tourists and foreign investors that were driven away from the islands by drugs traders, writes Stephen Fidler

It's better in the Bahamas. There is a broad consensus, at least among business leaders and investors, that at last the old slogan of the country's tourism industry rings true.

Many of them mark the turning point of the country's fortunes as the August 1992 general election which ousted the prime minister of 25 years, Sir Lynden Pindling, and his Progressive Liberal Party (PLP) from office.

Sir Lynden's legacy has been an ambiguous one. Seen by many Bahamians as the father of the nation, he brought it to independence from Britain in 1973. He took the country's politics out of the hands of the so-called Bay Street Boys, the group of mainly white businessmen that ran the country, and into the hands of the black majority that constitutes 85 per cent of the population. And he oversaw a significant improvement in its standard of living, to the extent that in 1988 it became too rich to qualify for World Bank loans. Per capita income is now officially over $11,000 a year.

Yet during the 1980s a fragile state found itself at the mercy of drug traffickers. They used the country's 700 islands and 2,000 cays lying a few score miles off the Florida coast as a platform to ship an estimated three-quarters of US cocaine supplies.

His government became, in the words of one foreign resident, "sloppy and corrupt". Subsequent official inquiries into the running of state-owned companies found gross mismanagement and corruption. During the PLP's period in office, the Bahamas' dominant industry, tourism, slid down-market, while the country's sleazy reputation led to a flight by some financial services companies from the islands.

It took a two-year recession in which the economy contracted by some 6 per cent to oust Sir Lynden and his formidable grassroots party from office in 1992. And it was a former PLP colleague, Mr Hubert Ingraham, who took over the premiership as head of the Free National Movement.

Mr Ingraham, who left the PLP in 1986 after disputes with the party over corruption, had won a reputation for integrity which has survived his first 3¾ years in office.

He has gone on reducing the scale of the country's drugs problem, continuing the close co-operation with the US begun by the Pindling government in its later years. Helped by a US effort in the Caribbean that has made Mexico the transit country of choice for most cocaine traffickers, it is guessed that no more than 10-15 per cent of illegal drugs shipments to the US now go through the islands.

Mr Ingraham also began courting investment from the private sector and started to deregulate the economy, simplifying and increasing the transparency of foreign investment approvals. The approach has been successful so far. Mr Badrul Haque, an economist with the InterAmerican Development Bank, (IADB) estimates for the next few years foreign investment could amount to an annual $300m or 10 per cent of gross domestic product.

It has already brought important new development of a tourist sector that employs 60 per cent of the country's workforce, attracting names such as Disney and Sun International to the islands. Helped by this investment, the total number of stopover visitors rose 5.4 per cent last year to 1.6m and room rates grew too.

It has also spurred a development boom on the island of Grand Bahama, bringing hopes of new employment opportunities and greater diversification of the services-dominated economy. "We've been removing many of the impediments to doing business in the Bahamas," says Mr Ingraham, "and we will go further."

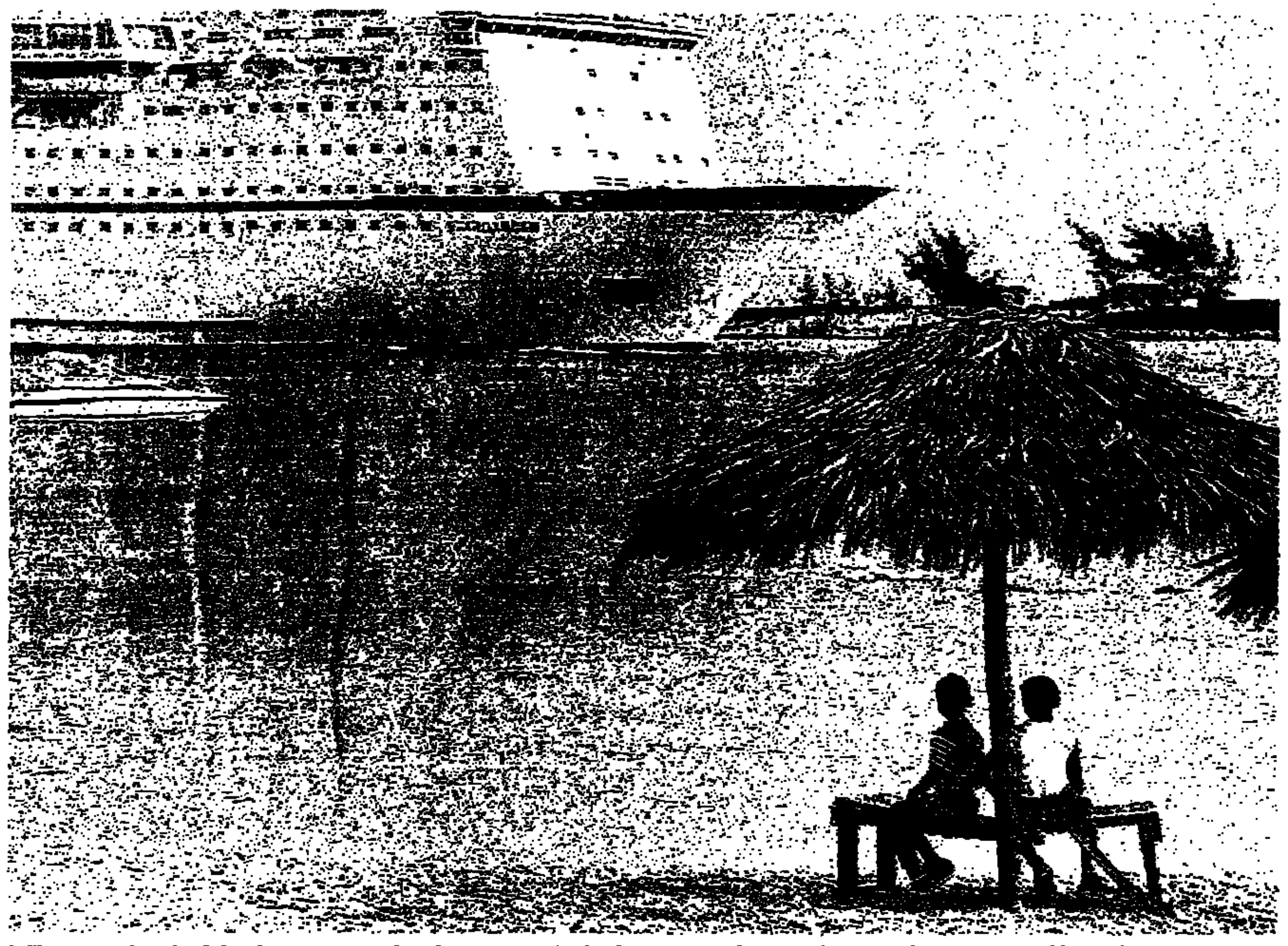
Yet the PLP, now in opposition, questions whether this has done much to help the average family. Mr Bernard Nottage, deputy leader of the party, argues: "Some Bahamians are better off, but most are not." He claims that Mr Ingraham has given away too many tax concessions to attract investors.

The government has divested itself of all but one of the hotels acquired by the Pindling government, and sold off other stakes including the Bank of the Bahamas. It has allowed competition in radio and television broadcasting and domestic air services, as well as in the water supply business.

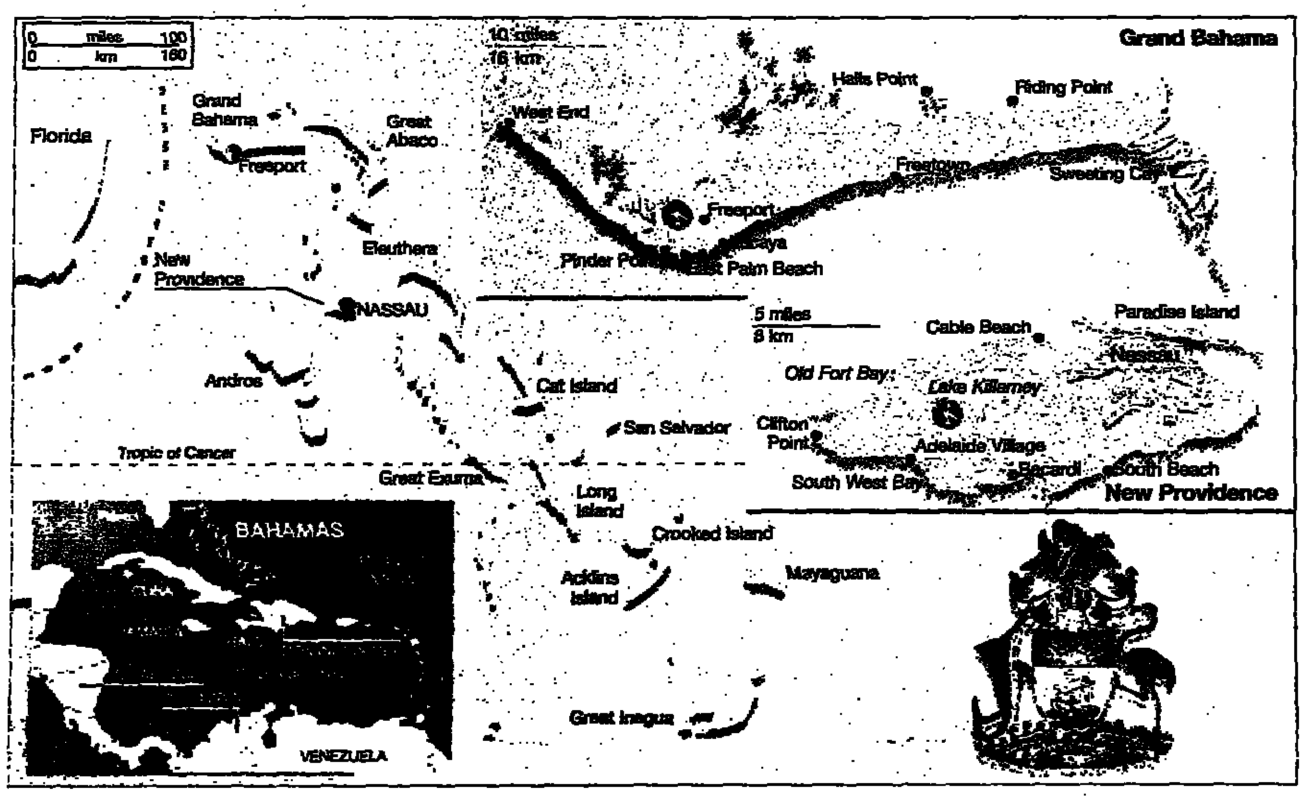
If it wins another five-year term in the elections scheduled over the next 18 months, it is expected to sell off state-owned enterprises, in particular the electricity company BEC and the telephone company, Batelco. Mr William Allen, the finance minister, referring to complaints about the high cost of energy and telephones in the country, says: "Batelco is not going to hold this country to ransom, nor is BEC."

Yet privatisation would have implications for employment.

Continued on next page



Sailing up-market: the Bahamian government is trying to attract foreign investment to increase the country's appeal to wealthy tourists



IN THIS SURVEY

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Public sector needs revamp

Continued from previous page

and will be opposed by powerful trade unions. After tourism, the government is the next largest employer, accounting for 20 per cent of jobs though only 11 per cent of output. Says Mr James Smith, governor of the central bank: "Privatisation is a double-edged sword. Government corporations are very overstaffed, but there are very underdeveloped social services and safety nets."

A modernisation of the rest of the public sector is also needed, according to the IADB. Important problems, such as the discharge of sewage which threatens the country's tourism industry, are not being well managed. Efficiency is low, with 58 per cent of spending going on wages and salaries. A further 13 per cent is devoted to interest payments, leaving less than 30 per cent to be spent elsewhere.

The government also faces the task of restructuring the anachronistic way it finances itself, in the absence of income or sales tax. The majority of revenue is raised through import duties. Revenue losses due to poor administration are estimated to be as high as 25-30 per cent of the potential.

The system, together with quotas and other non-tariff restrictions on imports imposed by the government, which is not a member of the World Trade Organisation nor of GATT, is responsible for all kinds of economic distortions. It means too that the country has far to go before it can contemplate membership of any Free Trade Area of the Americas as proposed by US president Bill Clinton at the Miami summit of leaders from the western hemisphere in December 1994.

It will also be a long time before the legacy of sleaze is erased, particularly in the financial services sector, which is responsible for an estimated fifth of GDP though only 3.6 per cent of employment.

Mr Allen, having returned with a government delegation from a trip to Latin America, was surprised by the reaction. "Our reputation has taken a bit of a hit in the past and we discovered down in Argentina that there was not a high regard for the quality of our regulation. This was disappointing."

The government is working to improve the Bahamas' image and position in the highly competitive offshore financial services businesses. Late last year it passed tougher money laundering legislation and a securities industry act that envisages the creation for the first time of a capital market, including a stock exchange.

Yet despite these improvements, some financiers see a limited future for tax havens and question their long-term viability. At the very least all offshore financial centres will depend heavily on the goodwill of other governments, particularly of the US.

Unfortunately the long-term prospects for growth in tourism are no clearer, given the competition from the Caribbean and the inevitable future emergence of Cuba as a direct competitor for visitors from the US.

The Bahamas, population 270,000, also faces issues particular to small nations trying to create employment in an era of intensified international competition. Questions of economies of scale are dramatised by the remoteness of some of the country's 40 populated islands, many of which are poor. Indeed, the high average income of the Bahamas hides poverty which has been exacerbated by Haitian migration and the breakdown of the traditional family.

For now, though, optimism prevails. The government is credited with tackling problems in a systematic and rational way. If this approach continues beyond the election to be held some time in the next 18 months, the economy can according to Mr Haque of the IADB "be expected to grow at its historical level of 5 to 6 per cent annually on a sustainable basis."

■ **The economy:** by Stephen Fidler

Investment raises hopes

The government hopes a sell-off of state assets will boost the country's tourism stock

Growth has proved elusive for the Bahamas in the 1990s. Recession in 1991 and 1992 has meant the economy has yet to recover to 1989 levels, according to official figures.

Much of this is explained by developments in the tourist industry, responsible for half of gross domestic product and 60 per cent of employment. As competition from other parts of the Caribbean intensified, the Bahamian tourist industry allowed its capital stock to deteriorate. Now with new investment, prospects are improving.

Mr James Smith, governor of the central bank, says: "We are coming out of the economic doldrums that have been with us for the past few years." In a recent report, Mr Badrul Haque of the InterAmerican Development Bank, agrees: "The short and medium term economic prospects are favourable. The economy could achieve an annual growth rate of 3-4 per cent in 1996 and beyond."

For 1996, that forecast may be optimistic. Mr William Allen, the finance minister admits: "We are not going to see robust growth for a while." However, with the expected positive contribution from tourism, development at Freeport on Grand Bahama and what he calls the new dimension to the offshore financial centre: "We are building an economy with more depth that will be able to grow at 4.5 to 5 per cent again. That's the kind of economy that we are seeking," he says.

These investments contributed to a swelling of the country's current account deficit from 3.5 per cent in 1994 to 9 per cent of gross domestic product last year. Mr Haque argues this is not too worrying because it mostly reflects investment that should provide future flows of foreign exchange. Such foreign investments can be expected to continue at some $300m a year, or 10 per cent of GDP, for the next few years. Total investment in the economy reached about 22.5 per cent of GDP last year. However, savings have been weak at about 10 per cent of GDP through the 1990s and there is a strong need to raise this rate, Mr Haque says.

One aim of the government is to improve balance in an economy that has suffered a type of "Dutch disease", caused by the domination of one industry and government policies that have weakened the ability of other sectors to compete internationally. This has meant, among other things, that for every $1 spent by a tourist in the Bahamas, 80 cents is spent on imports.

Another objective, says Mr Allen, is to reduce the size of the government, which is large for a country with no income tax. "The government is spending 20 per cent of national income. We'd like to bring that down to 16 per cent."

As a step toward achieving better balance, governments have since 1991 brought down the budget deficit – in part because state-owned enterprises have reduced their losses and cut down on capital spending – allowing for reduced payment arrears on goods and services bought during the recession.

This year the consolidated public sector deficit will be less than 1 per cent of GDP, says Mr Allen. Mr Smith at the central bank says: "It was the rate of growth of the budget deficit that was of concern, even though the absolute level was less than 3 per cent of GDP which is not out of line with international standards." The Bahamas has to be especially cautious with deficit financing because of the parity between the Bahamian and US dollar. "There is no automatic exchange rate adjustment" such as an Argentine-style currency board, he points out.

Reducing the deficit has allowed the government to improve its debt position. Foreign currency debt of the public sector fell to $392m at the end of last year, down from the peak of $453m two years earlier. Total national debt, including domestic debt and contingent liabilities of $322m was $1.48bn at the end of last year.

The government, responsible for a fifth of all employment and 11 per cent of GDP, has already divested itself of all but one of the hotels acquired by its predecessor. If it wins a second term it is expected to privatise the main utilities, most of which are overstaffed. This should improve the prospects for a more sustainable budget balance while enhancing investment in important infrastructure.

The government also suffers heavy non-payment of certain taxes, in particular property tax. A more fundamental need, according to the International Monetary Fund and others, is for the administration to totally overhaul its revenue raising methods, which depend heavily on collection of import duties.

Some two-thirds of all government revenue is raised through import taxes and stamp taxes on imports. The external trade regime, says the InterAmerican Development Bank in a report last year, "consists of convoluted trade taxes, non-tariff barriers and a large number of tariff exemption acts." There are hundreds of applicable rates and 15 different trade taxes.

The effect is to add between 15 and 30 per cent to international prices, though for some items the additional costs run several times higher, the report says. For example there is a 770 per cent effective import duty on poultry – but the authorities continue to receive requests for import licences "which suggests that consumers bear the cost of a protective tariff system that is not fostering domestic production."

In talking about reform, the government is cautious. Income tax is a shibboleth for all politicians. On July 1, the government is scheduled to reduce the number of customs duty rates from 150 to 29, with a view to reducing it eventually to five. The prime minister, Mr Hubert Ingraham, says: "This process will take several years. It should allow us to arrive at the point where if a future government wishes to take a decision about tax reform then it will be able to do it." However, he adds he is not so inclined.

There is another issue that has arisen in the last two years: the Free Trade Area of the Americas proposed at the December 1994 Miami summit of western hemisphere heads of state by US President Bill Clinton. The proposal is a long way from coming to fruition. If it ever does, however, the Bahamas is, because of its tax regime, probably further away than any other country except Cuba from the free trade ideal.

Mr Allen, the finance minister, says the government is "keeping a watching brief" on the development of the FTAA. He concedes this will probably entail the imposition of a value added tax in future: "We shall probably have to do something like that in any event. If we are successful in creating linkages between the tourist industry and the domestic economy we can have a lower VAT rate."

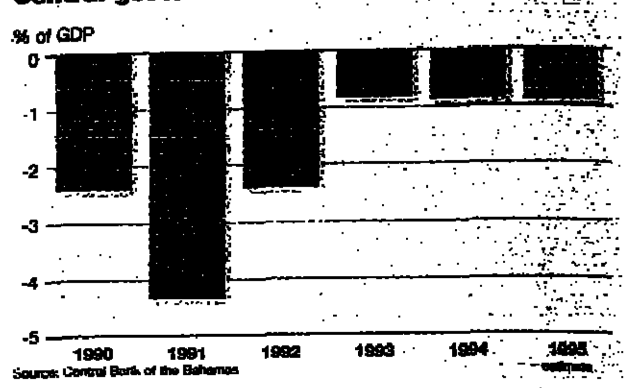
That is for the future. In the meantime, the government will continue with its system of exceptions for capital goods imports, such as the expected sharp reduction or abolition of customs duties on imports of computers and software. This is meant to encourage the establishment of banking back office functions. Barclays Bank has plans to establish just such an office in the Bahamas covering the Caribbean, and, says the prime minister, Citibank is considering a similar move.

So far, according to the official figures, the economic changes in the last few years have helped to reduce unemployment. While a political controversy rages about whether the statistics are reflecting the facts – such figures are hard to obtain in a country without income tax or sales tax returns – the official unemployment rate has fallen to 10.7 per cent from 14.8 per cent.

This is almost certainly an underestimate, and does not include those discouraged from seeking work. With around 5,000 young people coming on to the jobs market every year, creating employment will be a challenge for the government, particularly if, as is promised, it privatises state-owned enterprises and moves on to shrink the overblown bureaucracy. The task will not be made any easier by the rigidity of the labour market, and industry-wide wage negotiations that do not reflect productivity in the main industry – tourism.

Mr Allen argues that between 1989 and 1992, 10,000 jobs were lost in the Bahamas. But he tries to put employment issues in perspective: "There is a labour force of 160,000. To be a full employment economy doesn't require more than 20,000 jobs. We don't require massive things to happen."

Central government current balance



Source: Central Bank of the Bahamas

Selected indicators of Bahamian economic activity (% change)

	1993	1994	1995
Tourist days	4.0	-0.6	-0.6
Air arrivals	8.1	0.5	-1.1
Sea arrivals	-4.3	-10.2	-9.1
Construction expenditure[1]	-5.5	23.3	-14.7
Import duties[2]	-5.3	16.6	-1.7
Exports of selected manufacturers[2]	-25.5	-14.7	-2.9
Retail price index	2.7	1.3	2.2[3]

[1] Deflated by the US construction cost index. [2] Deflated by the US export unit value index. [3] Eleven months to November. Source: The Central Bank of the Bahamas

The Bahamas' imports from the US ($,000)

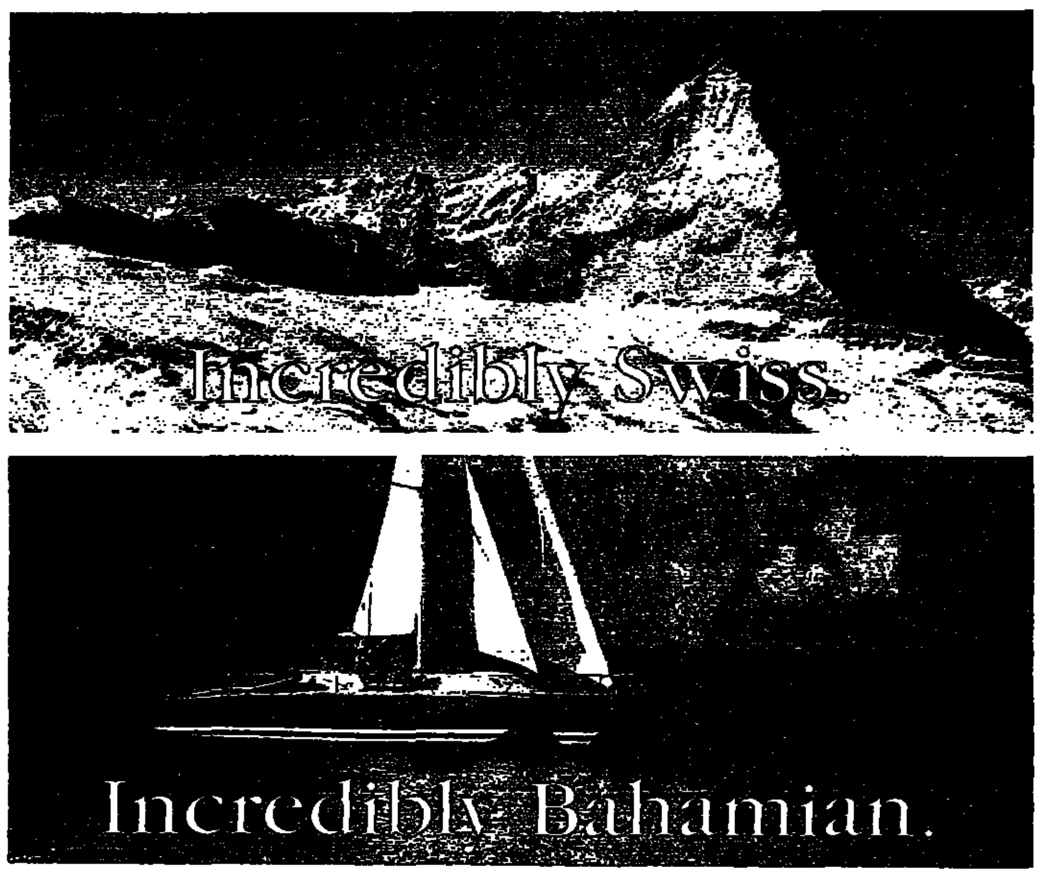
Product	1994	1993
Petroleum and related products	96,386	101,791
Machinery	76,594	58,984
Transport equipment	76,131	78,077
Chemicals	44,402	52,399
Fruit, vegetables and related prods	26,094	34,640
Wood, cork and related products	26,092	25,154
Metal manufactures	17,139	17,389
Paper and related products	15,151	15,318
Cereals and related products	11,512	13,422
Meat and related products	11,223	10,214
Total, including others	653,153	666,657

Note: Imports of $607.5m, Jan-Nov 1995 ($623.2m, Jan-Nov 1994). Source: Economist Intelligence Unit

The Bahamas' exports to the US ($,000)

Product	1994	1993
Petroleum and related products	58,857	91,659
Chemicals	48,876	188,154
Fish and related products	38,914	35,387
Crude minerals, fertilisers	34,025	28,088
Fruit, vegetables and related prods	3,119	3,411
Beverages	2,782	2,634
Metalliferous ores and scrap	253	176
Clothing	150	69
Sugar and related products	5	147
Total, including others	219,509	366,411

Note: exports of $157m, Jan-Nov 1995 ($201m, Jan-Nov 1994). Source: Economist Intelligence Unit



■ **Banking and finance:** by Richard Lapper

New rules, new status and new business

The government is trying to develop the islands as the region's leading investment centre

From their bright new office buildings overlooking the Nassau waterfront, Bahamian bankers are becoming more and more confident about the prospects for their offshore financial sector. Private banking and trust business is flowing back to the Bahamas at a steady rate, with the number of mutual funds rising quickly. Latin America's newly liberalised economies are generating a stream of business. And relations with the government of Mr Hubert Ingraham could not be much better.

"There are not many centres where there is this degree of co-operation between the public and private sectors," says Mr Bill Jennings, deputy chairman of Coutts and Co and a member of a joint private-sector government team that, over the past eight months, has visited Europe, Latin America and Asia as part of efforts to drum up business.

It is all in sharp contrast to the recent past. Under the previous administration of Sir Lynden Pindling, many government policies and practices were heavy-handed at best, leading a string of banks and insurance companies to leave the islands in the 1970s. Subsequently, the impact of the drugs trade, including rising crime and allegations of official involvement and widespread corruption, complicated day-to-day life for bankers in the Bahamas and tarnished the islands' reputation.

During the 1980s, the Cayman Islands won the majority of new international private banking business. The Bahamas' share of the international offshore market among the main developing country centres fell from 49 per cent in 1976 (when the country did roughly twice as much business as the Cayman islands) to only 10 per cent in 1994. In the meantime, the Caymans' share soared, hitting 26 per cent two years ago.

"Businesses were flying off to other jurisdictions. Everything just ground to a halt," says Mr Ian Fair, chairman of Mees Piersen (Bahamas), one of the biggest banking operations in the Bahamas.

Some progress was made towards the end of Sir Lynden's administration. For example, a mutual legal assistance treaty was signed with the US, Canada and the UK in 1990, providing for the exchange of information on criminal activities. But the revival only really got underway after the election of Mr Ingraham in 1992. Red tape, which had restricted the growth of legitimate activity, has been cut; the government has set up a one-stop shop for investment approvals; more generally, it has made it simpler to buy property and take up residence, allowing more people to benefit from the country's liberal tax regime.

The current administration has continued the modernisation of offshore legislation begun by the previous government, but perhaps its most significant achievement has been the cleaning up of the Bahamas' image. New money laundering legislation, introduced last November, is seen as pivotal. The law, which has still to come into effect, builds on a voluntary code of practice introduced in 1985 but imposes new responsibilities on banks to report transactions where money may have been made from crime. Banks face stiff penalties, including imprisonment for offending officers, if they fail to comply.

Other laws provide for tighter control of the mutual funds industry, which has been growing since rules introduced in 1989 made it easier to form international business companies or IBCs – one of the main vehicles for mutual fund administration. Last year, the government imposed new reporting, disclosure and monitoring requirements for Bahamian funds, providing for registration and annual licensing and minimum capitalisation, and a Securities Board was formed to regulate the activities of the funds.

"Stronger emphasis is being placed on prudential supervision and market oversight, to strengthen the resilience of the financial system by setting and enforcing high standards for prudential behaviour," says Mr James Smith, governor of the central bank.

Bahamian trust law is being brought into line with that of the most competitive rival centres. Again, the first steps were taken by the previous government: a law protecting trust assets from civil legal action (if the action begins more than two years after the establishment of the trust) was put into place in 1991. This year, new legislation, which allows trusts to be organised in a more flexible way, is to be introduced.

Activity has picked up. Since 1993, the asset base of the banking sector has increased by $22.6bn to $185bn, and the number of trusts and banks licensed has risen to 418. The assets being managed by the trust and mutual fund sector have also grown rapidly. Mr Fair estimates that trust fund assets held by Bahamian banks and trust companies could amount to as much as $200bn. The mutual fund business is smaller but activity seems to be intense. Mr Gregory Cleare, a partner with the Nassau office of KPMG Peat Marwick, estimates that there were some 200 mutual funds with net assets of some $4.5bn in early 1994, and a further 100 mutual funds with net assets of $15bn established in other jurisdictions but administered in the Bahamas. According to the central bank, by May this year, the number of Bahamian mutual funds had risen to more than 400 and the value of their assets to some $40bn.

Mr Cleare says that in the early 1990s the Bahamian industry consisted mainly of funds promoted by banks and trust companies for their international private banking customers. Since then, however, banks, trust companies and fund administrators have seen significant growth in the number of funds that have been established in the Bahamas by third party investment managers for sale to a client base of global investors.

More importantly, the character of the centre also appears to be changing, with more banks opting to establish a more substantial presence in the Bahamas. Between 1987 and 1996, the number of banks with a real physical presence in the Bahamas increased by more than 50 per cent, rising from 120 to a total of 188.

Indeed, the scale of this activity has led to a steady growth in employment of Bahamian nationals, increasing the contribution of the sector – the offshore centre of which generates roughly 8 per cent of gross domestic product – to economic development. Although only about 4,500 people – roughly 4 per cent of the workforce – are employed in the sector, they are paid on average $25,000 per year, more than double the $11,000 average annual wage, and have a proportionately higher impact on overall gross domestic product.

Mr Smith says that the sector also plays an important role in the development of management skills for Bahamanians. "Some are moving into other areas such as tourism or the civil service and helping to form the basis of a new entrepreneurial class," he explains.

"The number of qualified Bahamians has grown considerably and that makes the centre much more cost-effective," agrees Mr Trevor Sunderland, managing director at BankAmerica Trust and Banking Corp and chairman of the Association of Banks and Trust Companies.

At Mees Piersen, the Dutch private bank, only two of the 55 staff hold work permits and a big majority of its employees are Bahamanian nationals. Reflecting the increase in the skills base, Barclays has opted to move the centre for its regional operations in the Caribbean to the Bahamas. Other banks are expected to follow suit.

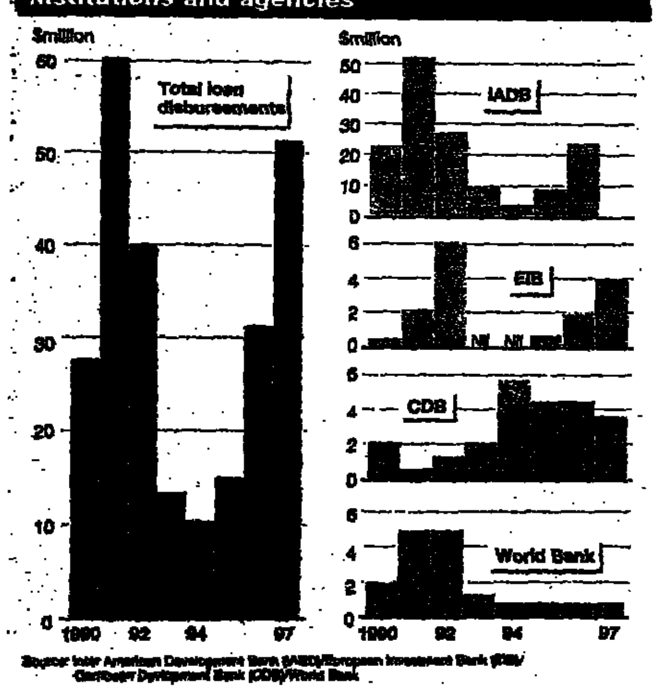
The trend is also apparent in support services such as accountancy.

There are some signs that infrastructural deficiencies are being tackled: the government is pledged to take Batelco, the state telecommunications company, into the private sector if it is is re-elected.

In the longer term, the government and private sector have ambitions to make the Bahamas a regional financial centre. The development of a securities exchange and capital market, as well as the increasing interest of banks from Latin America, are seen as important in this respect, allowing the Bahamas to become a centre for investment activity as well as simply as a safe haven.

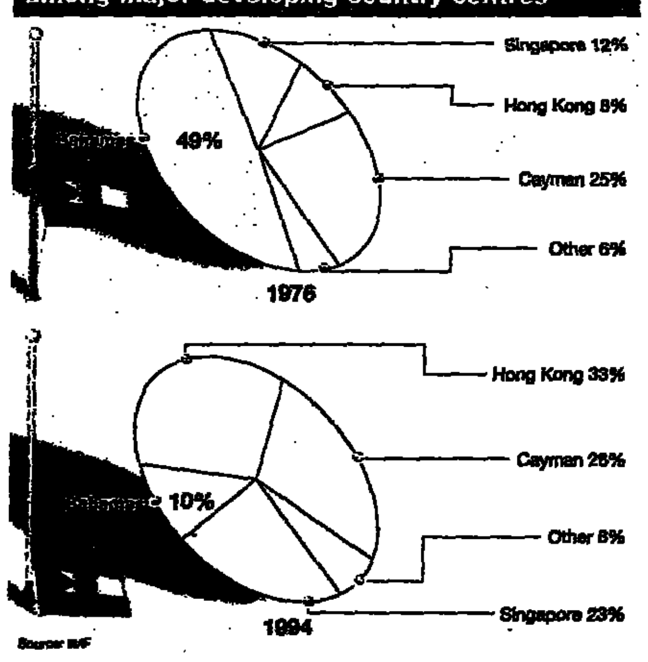
Developments such as Lyford Cay lure the wealthy: a liberal regulatory environment helps attract their funds

Net transfers from multilateral institutions and agencies



Source: Inter-American Development Bank (IADB)/European Investment Bank (EIB)/Caribbean Development Bank (CDB)/World Bank

Market share of external offshore assets among major developing country centres



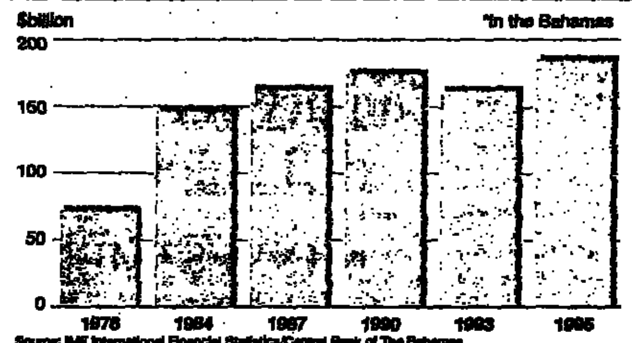
Source: IMF

Ranking of international banking centres by external offshore assets

1994 ranking	Assets ($billion)	Average asset growth 1984-94	1984 ranking	1976 ranking
1 UK		9.0%	1	1
2 Japan		22.5%	8	10
3 US		3.5%	2	2
4 Hong Kong		22.1%	10	12
5 France		14.1%	5	7
6 Belgium		11.2%*	3	4
7 Germany		19.7%	11	6
8 Switzerland		10.5%	4	5
9 Cayman		11.6%*	7	8
10 Singapore		14.6%	9	11
11 Netherlands	191.7	12.8%	12	9
12 Bahamas	179.3	2.0%*	6	3

Source: IMF
*Based on 1992 market shares

Asset base of banks and trust companies*



Source: IMF International Financial Statistics/Central Bank of The Bahamas

■ **Latin American links:** by Richard Lapper

Money talks new tongue

Bahamian banks are forming closer ties with their counterparts to the south

Language skills have not always been a strong point in the Bahamas, despite the country's proximity to Latin America. That could be about to change. Spanish and Portuguese is much in demand at present as the country's banks orient their activities increasingly towards corporate and individual clients from Latin America's growing economies.

"Go to any major bank and they all have instructors teaching Spanish and Portuguese to their staff," says Mr Gregory Bethel, managing director of Credit Suisse (Bahamas), and chairman of the government's financial services advisory committee. Mr Bethel, who was part of a recent mission by the committee members to Brazil, Argentina and Chile, believes the country's future is to some extent bound up with its developing relationship with the bigger economies to the south.

Underpinning this perspective is the economic turnaround in many Latin American countries. Hyperinflation which dogged many countries in the region during the 1980s has been brought under control and liberalisation and a more open orientation towards trade and foreign capital are leading to stronger economic growth in many countries. Mr Bethel says that the trend towards closer ties between the Bahamas and Latin America began in the early 1990s: "In my view, it started with the North American Free Trade Agreement (Nafta) and Mexico being admitted as an equal partner. Nafta alerted us all to the prospects stemming from the free trade zone."

Latin America's increasingly powerful banks and private sector have been among the principal beneficiaries of growth and liberalisation. As their standing and creditworthiness have grown, more and more Bahamian banks have been prepared to do business with them. Economic growth has also made the continent's élites richer and, with memories of nationalisation and radical social policies relatively fresh in many countries, much of this new wealth has sought a safe haven.

Private bankers say the demand from Latin America has helped spur sales of trusts, compensating for the difficulties of marketing to US citizens.

Moreover, the rigidity of Latin American civil law governing inheritance makes the Bahamas an attractive domicile for wealthy individuals seeking to make provision in a more flexible manner. "A lot of our Latin friends have girlfriends," says one Bahamian banker. "They can set up arrangements to provide for everybody in the Bahamas."

Mexican share traders: Latin linkage carries some perils AP

By contrast, banks have many more difficulties marketing trusts in the US, because of restrictions linked to US law. Similarly, Bahamian mutual funds, which have been forming at a rapid pace in the past few years, are orienting themselves towards investment in the Latin American stock and bond markets, and find ready demand from the same clients that buy trusts.

In part, the new interest has been driven by Latin American banks themselves. The fall in inflation has made it more difficult for Latin American banks to make money, forcing them to examine alternative approaches. Regulations limiting the extent to which Latin banks can conduct offshore operations have been eased considerably.

Many Latin banks have, as a result, set up branches in the Bahamas. Over the past 10 years, the number of Latin American banks licensed in the country has tripled, rising from 31 in 1987 to 107 in 1996. Brazilian banks have been particularly enthusiastic, their numbers increasing from six in 1987 to 35 in 1996. According to the Central Bank, five of the licensed Brazilian banks have a presence in the centre.

Local bankers are hopeful that the potential development of Freeport in Grand Bahama will open up more opportunities for trade finance transactions. And, should facilities to provide listings for them go ahead as planned, Latin America is also expected to provide investor demand for Bahamian depositary receipts, paper that trades in lieu of underlying shares issued by foreign companies.

■ **Ship registration:** by Richard Lapper

More owners fly the colours

Tax and labour advantages are persuading more shipowners to list in the islands

When it opens for business later this month a new fast ferry linking Stranraer in Scotland with Larne in northern Ireland will fly Bahamian colours – the UK merchant navy's traditional red ensign with a miniature version of the Bahamas' aquamarine, yellow and black national flag in one corner.

The flag, which shows that the ferry is registered in the Bahamas, is flown by nearly 1,500 ships and is becoming an increasingly common sight on international seaways. The growing number of shipowners prepared to list some of their vessels in the Bahamas include Chevron and Exxon International – which run oil tankers – and Cunard Lines, which operates cruise ships.

Gross tonnage registered rose from 1m in 1983 to 24.7m by the end of 1994 and 25.6m by the end of last year. The Bahamas now ranks as the fifth on a list of offshore registries, led by Panama (with 70.1m gross tons) and also including Liberia (59.3m gross tons), Greece 29.5m gross tons and Cyprus (24.3m gross tons).

Flag of convenience: a cruise liner leaving Nassau in the Bahamas, now a leading offshore registry

The Bahamas has benefited from a general increase among shipowners in registering with offshore centres – so-called "flagging out". Tax advantages – such as those offered by the Bahamas, with its absence of corporation and capital gains tax – have been one factor favouring this development, while the centres have also drummed up business by helping owners reduce bureaucracy and red tape.

In addition, offshore registration offers shipowners the opportunity to circumvent local labour laws, which place restrictions on the nationality and number of crew. Mr John Dempster, director of the Bahamas Maritime Authority, says the registry allows its shipowners greater freedom in relation to the nationality of officers than they would enjoy in some jurisdictions. However, Mr Dempster, who was formerly a deputy secretary at the UK department of transport with responsibility for the shipping industry, insists that the registry "sticks to safe manning levels".

"Open registers have a reputation for providing a safe haven for operators of substandard shipping", but the Bahamas intends to "provide a good efficient service for high quality shipping", he argues.

Other advantages include the country's stability and judicial system, which assume particular importance bearing in mind political instability in some centres, such as Liberia.

Several of the registry's inspectors have specialist expertise in relation to cruise ships. As well as Cunard Lines, some Holland America cruise vessels fly the Bahamian red ensign. The registry is also winning business from operators of roll-on-roll-off ferries. P&O followed Scandinavian lines such as Sally and DFDS in registering vessels in the Bahamas.

Mr Dempster joined the registry last year following a revamp of its operations around the world. The government shifted responsibility for the registry away from the department of Transport to the Bahamas Maritime Authority, a new public corporation, in order to improve management efficiency and administration of the service. The new body is accountable for its own revenues and supervised by a board of management, chaired by the governor of the Bank of the Bahamas. Some $1m was invested and staffing increased.

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Property: by Richard Lapper

The insular possessions

The country's estate agents deal in the ultimate luxury property – tropical islands

A thriving trade in the sale of entire islands is the most striking feature of the Bahamas' buoyant residential property market. Encouraged by recent modification of rules which make it easier for homeowners to become Bahamian residents and growing political stability, more and more wealthy North Americans and Europeans are buying up both developed property and land.

As many as 200 of the more than 700 Bahamian islands are privately-owned, according to Mr George Damianos, who runs the Nassau-based Damianos Realty Company. Island sales are not new but the pace appears to be picking up. Mr Damianos, for example, last year sold two and is currently seeking bids for two more, while other Bahamian estate agents report rising interest.

Although the costs of development are considerable and the maintenance and administration frequently underestimated, the world's "wealthy people always have a dream to own a private island," according to Mr Damianos.

The properties available range in size and character. Highborne Cay, a 400-acre island in the Exuma chain which has four houses and a dock, was sold last year to a group of individual Spanish, US and Bahamian investors for $6.7m. South of Bimini a US consortium has converted the uninhabited island of Cat Cay into a private island, consisting of several dozen homes costing up to $1m each.

Ms Elaine Thompson at the Abaco Real Estate Agency in Marshharbour has two islands on her books. Matt Lowes Cay, off Abaco, has two houses and five beaches and is on the market for $5m. And at the other end of the scale is a four acre entirely undeveloped site, also off Abaco, on the market for $800,000.

Interest in upmarket properties and prime sites is pushing up values elsewhere. Houses and condominiums in the most sought-after locations have risen in price by at least 75 per cent since the present government of Mr Hubert Ingraham took office in 1992.

The administration has made it easier for foreigners to buy land by reducing red tape and paperwork. In 1994 the government repealed the Immovable Property Act which required prior approval for the purchase, transfer or inheritance of property by non-Bahamians. The act was replaced by the International Persons Landholding Act. Prior government approval is now not required for non-Bahamians to buy residential properties of less than five acres. At the same time anyone spending over $250,000 on a property is accorded what the government describes as "accelerated consideration" for annual or permanent residency status. That effectively helps many people – although not US citizens – to benefit from the absence of income and capital gains tax.

"There has been a tremendous amount of investment since the new government came in," says Ms Barbara Brooks, president of the Bahamian Real Estate Association and a sales agent for Nassau-based Grosham Property.

Ms Brooks considers that the centralisation of paperwork for sales at the Bahamas Investment Authority, a government agency, has proved especially beneficial for agents and buyers. "Before you had several departments to go to apply to. Now its a one-stop shop where they check out everything," says Ms Brooks.

Agents also stress that the authorities have become more straightforward in their dealings. "More people are looking to come in partially because whatever happened before is not happening now. There is not the same under-the-table mentality," says one.

As well as islands, properties located in luxury developments in the west of New Providence island are attracting particular interest. Lyford Cay, the home to celebrities such as Sean Connery, the film star, is especially popular. Built in 1958, the Lyford complex contains a golf course, tennis courts, a canal network for yachts, and other facilities as well as some 300 homes. Security guards provide round the clock protection. Agents say that prices – which currently range from a $800,000 for a three bedroom house on one of Lyford's side streets rise to as much as $5.9m for houses on the waterfront – have doubled in the last five years. Those available tend to be at the more expensive end although according to Mr Damianos, who negotiated more than a dozen Lyford Cay sales last year, the market is liquid.

The popularity of the Lyford Cay project has prompted a number of similar, although more modest, developments. At Sandy Port to the west of New Providence, some 200 houses – again enjoying 24-hour protection – are priced at between $300,000 and $1m.

Although prices are lower in the so-called "family" or outer islands than on New Providence they have still increased sharply, partially as a result of new demand. Ms Thompson says that waterfront properties in popular locations near Abaco's airport at Marshharbour are now relatively difficult to find and have also risen in price by as much as 100 per cent over the past five years.

Ms Thompson's agency, the biggest on Abaco, which is one of the two most developed outer islands, made some two dozen sales to non-residents in 1995.

Bahamians have attempted to cash in by buying plots of land in areas seen as likely focuses for future development. Ms Thompson reports that news that the road south of Marshharbour on Abaco was to be developed sparked speculative interest in the Bahama Palm Shores area.

Some locals have also attempted to take advantage of the market by acting as property brokers. The trade is lucrative due to high commission levels – 6 per cent for developed properties and 10 per cent for undeveloped land. Buyers also face the prospect of paying 2½ per cent conveyancing fees to lawyers, while both buyers and sellers of properties must pay a 4 per cent stamp tax.

These opportunities, however, are likely to diminish as a result of legislation introduced last year to regulate the real estate trade, moves which appear partially designed to clamp down of the possibility that property development might be used as a channel to launder money earned in drug dealing. From June 1 this year all estate agents must be licensed.

Building on Harbour Island: most foreigners buy properties offering luxury, not local charm Tom Webster/Impact

Construction in the Bahamas, 1993-1995

	1993	1994	1995
Building permits			
Number	2,365	2,618	2,303
Value (B$,000)	221,762	310,681	256,440
Building starts			
Number	1,015	996	1,040
Value (B$,000)	121,026	175,276	119,117
Break-down of starts:			
i) residential			
Number	917	867	944
Value (B$,000)	100,768	84,859	100,076
ii) Commercial			
Number	96	126	93
Value (B$,000)	20,218	89,681	18,151
iii) Public			
Number	2	3	3
Value (B$,000)	40	736	890
Building completions			
Number	843	889	971
Value (B$,000)	129,568	125,885	109,910

Source: Department of Statistics, Quarterly Bulletin of Construction Statistics.

The new capital market: by Richard Lapper

A slice of NY's pie

Plans to create a securities exchange could create a market for Latin American GDRs

New York: the Bahamas wants some of its depositary receipt business

Proposals to develop a Bahamian securities exchange could pave the way for the development of a local capital market, modernising the domestic financial sector and significantly extending the range of the offshore centre. The regulatory framework for the new market is now in place, following the creation last year of a Securities Board to regulate both the capital markets and the mutual fund industry.

Earlier this year, a private sector task force recommended that a securities exchange be set up. This would list both local and international equities as well as a range of other capital market instruments.

A core of domestic listings of both equity and debt issues would give the fledgling exchange some initial economies of scale. Nine local shares, which have a total capitalisation of some $400m, are currently traded on an over-the-counter basis and more local equity issues are on the cards as a result of the government's plans to privatise its telecommunications company and electric utilities.

The task force also recommended that the government change the way it funds itself in order to make its debt issues more tradeable. The authorities currently issue registered stocks following the passage of the budget each year and these come to the market on an "as needed" basis. Instead, suggested the task force, the government should issue stock at regular auctions. The bonds, it said, should be of varying maturities, ranging from three and five to perhaps 10 and 20 years, so that a yield curve could be established against which other local debt securities could be priced.

The new exchange would also provide a new focus for international business development, listing closed-end mutual funds, eurobonds and global depositary receipts. Mr Larry Gibson, vice-president of McDermott International Asset Management and chairman of the task force, says that the new market would grant a listing on request to any foreign company already listed on a recognised exchange. If a foreign company were seeking to delist from another, the listing in the Bahamas would also be automatically granted. "Reasons such as high costs, taxes and increasingly demanding and costly regulation in their home countries could encourage foreign companies to seek a listing in the Bahamas," he says.

Bankers and government officials alike are particularly enthusiastic about potential interest from Latin America. Companies from Argentina, Brazil and Mexico, as well as from a number of smaller countries, have raised equity capital in the New York market through the issue of American depositary receipts, paper that trades in lieu of underlying shares. However, ADRs – also known as American depositary shares – are considered expensive by issuers, a factor that in a number of other markets (such as India and South Africa) has spurred interest in global depositary receipts (GDRs) listed in either Luxembourg or London. Listing a GDR in the Bahamas could be an attractive alternative for Latin American countries, since it would allow their shares to be traded during the Latin working day.

Mr Gibson has proposed that Bahamian global depositary receipts (GDRs) should be offered in the local currency of the issuer, allowing greater transparency and easier comparisons for valuation purposes. "By listing in the local currency of the issuer, GDRs can be priced on a one-for-one basis exactly as it would be quoted in the issuers local market," he explains.

There are hopes that a securities exchange could be created as early as this year. That might seem a tall order, but much of the technical work has already been done. The country is already participating in a project designed to improve regional stock trading facilities. Along with four other countries – Jamaica, Trinidad, Barbados and the Dominican Republic – the Bahamas has agreed to develop a common electronic trading system and a central securities depositary to automate, clear, settle and guarantee trades.

This infrastructure will allow the Bahamas to establish strategic links with depositaries such as Cedel and Euroclear. "Once a link with Cedel is established, traders could buy and sell securities in the Bahamas and use Cedel as the clearing and settlement system, thereby enabling investors to trade globally," says Mr Gibson.

All of this could have a significant impact on life for Bahamian domestic bankers. For example, the banks' traditional deposit base could be diverted to capital markets instruments offering higher returns. This would force banks to offer more competitive returns to depositors, leading to a compression in the spread between typical borrowing and lending rates, currently standing at more than 9 per cent.

■ **Latin American links:** by Richard Lapper

Money talks new tongue

Bahamian banks are forming closer ties with their counterparts to the south

Language skills have not always been a strong point in the Bahamas, despite the country's proximity to Latin America. That could be about to change. Spanish and Portuguese is much in demand at present as the country's banks orient their activities increasingly towards corporate and individual clients from Latin America's growing economies.

"Go to any major bank and they all have instructors teaching Spanish and Portuguese to their staff," says Mr Gregory Bethel, managing director of Credit Suisse (Bahamas), and chairman of the government's financial services advisory committee. Mr Bethel, who was part of a recent mission by the committee members to Brazil, Argentina and Chile, believes the country's future is to some extent bound up with its developing relationship with the bigger economies to the south.

Underpinning this perspective is the economic turnaround in many Latin American countries. Hyperinflation which dogged many countries in the region during the 1980s has been brought under control and liberalisation and a more open orientation towards trade and foreign capital are leading to stronger economic growth in many countries. Mr Bethel says that the trend towards closer ties between the Bahamas and Latin America began in the early 1990s: "In my view, it started with the North American Free Trade Agreement (Nafta) and Mexico being admitted as an equal partner. Nafta alerted us all to the prospects stemming from the free trade zone."

Latin America's increasingly powerful banks and private sector have been among the principal beneficiaries of growth and liberalisation. As their standing and creditworthiness have grown, more and more Bahamian banks have been prepared to do business with them. Economic growth has also made the continent's élites richer and, with memories of nationalisation and radical social policies relatively fresh in many countries, much of this new wealth has sought a safe haven.

Private bankers say the demand from Latin America has helped spur sales of trusts, compensating for the difficulties of marketing to US citizens.

Moreover, the rigidity of Latin American civil law governing inheritance makes the Bahamas an attractive domicile for wealthy individuals seeking to make provision in a more flexible manner. "A lot of our Latin friends have girlfriends," says one Bahamian banker. "They can set up arrangements to provide for everybody in the Bahamas."

Mexican share traders: Latin linkage carries some perils AP

By contrast, banks have many more difficulties marketing trusts in the US, because of restrictions linked to US law. Similarly, Bahamian mutual funds, which have been forming at a rapid pace in the past few years, are orienting themselves towards investment in the Latin American stock and bond markets, and find ready demand from the same clients that buy trusts.

In part, the new interest has been driven by Latin American banks themselves. The fall in inflation has made it more difficult for Latin American banks to make money, forcing them to examine alternative approaches. Regulations limiting the extent to which Latin banks can conduct offshore operations have been eased considerably.

Many Latin banks have, as a result, set up branches in the Bahamas. Over the past 10 years, the number of Latin American banks licensed in the country has tripled, rising from 31 in 1987 to 107 in 1996. Brazilian banks have been particularly enthusiastic, their numbers increasing from six in 1987 to 35 in 1996. According to the Central Bank, five of the licensed Brazilian banks have a presence in the centre.

Local bankers are hopeful that the potential development of Freeport in Grand Bahama will open up more opportunities for trade finance transactions. And, should facilities to provide listings for them go ahead as planned, Latin America is also expected to provide investor demand for Bahamian depositary receipts, paper that trades in lieu of underlying shares issued by foreign companies.

■ **Ship registration:** by Richard Lapper

More owners fly the colours

Tax and labour advantages are persuading more shipowners to list in the islands

When it opens for business later this month a new fast ferry linking Stranraer in Scotland with Larne in northern Ireland will fly Bahamian colours – the UK merchant navy's traditional red ensign with a miniature version of the Bahamas' aquamarine, yellow and black national flag in one corner.

The flag, which shows that the ferry is registered in the Bahamas, is flown by nearly 1,500 ships and is becoming an increasingly common sight on international seaways. The growing number of shipowners prepared to list some of their vessels in the Bahamas include Chevron and Exxon International – which run oil tankers – and Cunard Lines, which operates cruise ships.

Flag of convenience: a cruise liner leaving Nassau in the Bahamas, now a leading offshore registry

Gross tonnage registered rose from 1m in 1983 to 24.7m by the end of 1994 and 25.6m by the end of last year. The Bahamas now ranks as the fifth on a list of offshore registries, led by Panama (with 70.1m gross tons) and also including Liberia (59.3m gross tons), Greece 29.5m gross tons and Cyprus (24.3m gross tons).

The Bahamas has benefited from a general increase among shipowners in registering with offshore centres – so-called "flagging out". Tax advantages – such as those offered by the Bahamas, with its absence of corporation and capital gains tax – have been one factor favouring this development, while the centres have also drummed up business by helping owners reduce bureaucracy and red tape.

In addition, offshore registration offers shipowners the opportunity to circumvent local labour laws, which place restrictions on the nationality and number of crew. Mr John Dempster, director of the Bahamas Maritime Authority, says the registry allows its shipowners greater freedom in relation to the nationality of officers than they would enjoy in some jurisdictions. However, Mr Dempster, who was formerly a deputy secretary at the UK department of transport with responsibility for the shipping industry, insists that the registry "sticks to safe manning levels".

"Open registers have a reputation for providing a safe haven for operators of substandard shipping", but the Bahamas intends to "provide a good efficient service for high quality shipping", he argues.

Other advantages include the country's stability and judicial system, which assume particular importance bearing in mind political instability in some centres, such as Liberia.

Several of the registry's inspectors have specialist expertise in relation to cruise ships. As well as Cunard Lines, some Holland America cruise vessels fly the Bahamian red ensign. The registry is also winning business from operators of roll-on-roll-off ferries. P&O followed Scandinavian lines such as Sally and DFDS in registering vessels in the Bahamas.

Mr Dempster joined the register last year following a revamp of its operations around the world. The government shifted responsibility for the registry away from the department of Transport to the Bahamas Maritime Authority, a new public corporation, in order to improve management efficiency and administration of the service. The new body is accountable for its own revenues and supervised by a board of management, chaired by the governor of the Bank of the Bahamas. Some $1m was invested and staffing increased.

■ **Hubert Ingraham:** by Stephen Fidler

Premier prepares for last election

The prime minister is confident he can defeat the opposition PLP to win one final term in office

Mr Hubert Ingraham, prime minister of the Bahamas since 1992, says the country's next election, scheduled to take place by September next year, will be his last.

The 49-year-old Mr Ingraham, born on Grand Bahama, has known little but Bahamian politics, but says he has made his mind up. "I've been in politics 25 years and the next election will be my last election," he says.

Mr Ingraham was first elected to the House of Assembly in 1977 as the Progressive Liberal Party representative for Cooper's Town on the island of Abaco.

A one-time ally of his predecessor in office, Sir Lynden Pindling, he abandoned his former party in protest at the corruption scandals that enveloped the government in the early 1980s. Mr Ingraham saw the impact of drug trafficking in his Abaco constituency all too clearly, but he adds: "What galled me most of all was the involvement of politicians".

Standing as an independent in 1987, he retained his seat, and then moved into the then opposition Free National Movement, to be elected as its head in May 1990. The FNM won the election in 1992, breaking the PLP's 25-year monopoly on power, by 32 seats to 17 in the House of Assembly.

The FNM united disaffected former backers of the PLP such as himself, with supporters of what used to be the United Bahamian Party, the voice of the traditional middle class and of the Bay Street Boys, the former white-dominated oligarchy that in colonial times ran the country. The differences in popular perceptions of the two surviving parties are based largely on these historical antecedents.

Mr Ingraham's reputation contrasts strongly with that of his former mentor, Sir Lynden. While Pindling lived in progressively more lavish circumstances during his time as prime minister, the current prime minister is said to live quite modestly. His wife, Delores, mother of the premier's six children, continues to work as a teacher in one of the toughest schools in the capital.

"He is," says the deputy leader of the opposition PLP, Mr Bernard Nottage, "a good PLP man. He has a feeling for the needs of the general population. He's very honest and diligent, if rather overbearing for his colleagues. He's something of a one-man band."

However, he adds: "While he does have the interests of the country at heart, he's allowed himself to be turned into looking after the moneyed interests."

Mr Ingraham can indeed rely on the support of many businessmen as he prepares for the next election, while the PLP is likely to be short of campaign finance and will have to rely on its traditional grass roots support for votes.

Mr Ingraham appears confident. "We have very good reasons to feel comfortable that we'll be returned for a second term of office," says the prime minister.

The PLP, he argues, has "plenty of enemies. They became quite ruthless in their last few days in office and people haven't forgiven them. They have to make people feel that they have truly changed. They won't be able to do that between now and the next elections."

Furthermore, with the illness of Sir Lynden, it seems almost inevitable that "a leadership fight has to come soon". Mr Ingraham says. None of the competing candidates seems likely to have the hold over the PLP that Sir Lynden has.

There is another issue that, Mr Ingraham admits, "has contributed something to the FNM's confidence". It is the reduction that the government has pledged in the number of seats in the House of Assembly, from 49 to 40, that will take effect in time for the next election.

Mr Ingraham says this pledge, effective in time for the next election, was one of the FNM's election campaign promises and argues 49 representatives – compared with only 38 when Sir Lynden won his first election in 1967 – is too many for a country as small as the Bahamas.

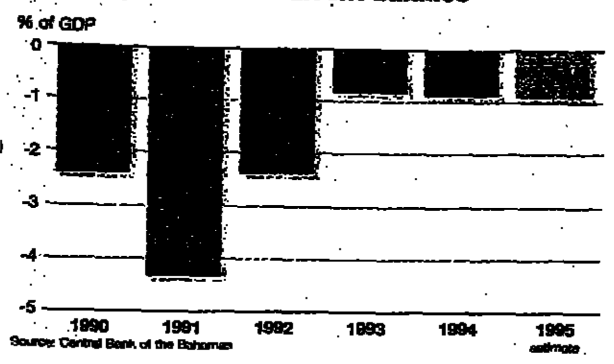
However, his confidence derives from his observation that many of the smaller seats were won in 1992 by PLP members. The PLP had gerrymandered the boundaries for its own advantage, he says, though his proposed boundary changes seem likely to elicit the same charges from the opposition.

Whatever he does, however, the prime minister seems unable to get his predecessor out of his hair. He has been severely criticised for agreeing on the government's part to pay some of the medical expenses towards the diagnosis and treatment of Sir Lynden's illness. "Hundreds of my supporters have expressed in the most forceful and vehement language their opposition to the paying of his bills," he says.

Ingraham: close ties with business

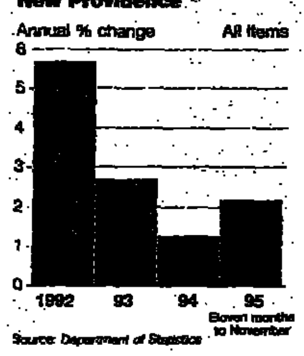
Grassroots: the PLP has strong support from ordinary Bahamians Impact

Central government current balance



Source: Central Bank of the Bahamas

Retail price index: New Providence



Source: Department of Statistics

Balance of payments, 1994-1995 ($m)

	1994				1995p			
	Balance on			Reserves	Balance on			Reserves
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■ **Foreign policy:** by Canute James

US dominant

Cultural and economic loyalties lie not with the Caribbean but with North America

Geopolitical convenience puts the Bahamas in the group of countries loosely referred to as the Caribbean. But while the country has much in common with its neighbours to the south, there are some aspects that set it apart. The Bahamas shares a common history and culture with its English-speaking neighbours, but is separated from them by more than its indifference to cricket.

"We are a Caribbean nation," says Mr Leonard Archer, the Bahamas' high commissioner to the Caribbean Community (Caricom). "We are West Indian and we have a prior claim on this because it was in a Bahamian island that Christopher Columbus first set foot in this part of the world. But our priorities are determined by our economic links with the US."

With an economy built on tourism and financial services, the big markets for which are to the north, there is little basis for economic co-operation between the Bahamas and its Caribbean neighbours. The country is one of the 14 members of the Caribbean Community, but limits its participation to functional co-operation, eschewing economic arrangements and moves towards a customs union and a common market.

Participation in a common market would put the government under pressure to reduce the high import duties on which it depends. Membership of the hemispheric free trade area planned for 2005 would have a similar effect. Finding alternative means of financing the government is not easy, say officials, if the country wants to retain its status as a tax haven.

"Politically, culturally, in our education system and in foreign policy, the Bahamas is close to the other countries of the Commonwealth Caribbean," says Mr Hubert Ingraham, the prime minister. "But its immediate interest economically is with the US. Eighty per cent of our tourists come from the US. Bahamians do not need visas to go to the US. The US is undoubtedly our dominant neighbour."

Emphasising the reasons for the Bahamas' close ties to the US, one diplomat in Nassau listed America's five neighbours as Canada, Russia, Mexico, Cuba and the Bahamas.

The Bahamas is also set apart from its neighbours to the south by a higher standard of living, with a physical and social infrastructure that is many decades ahead of that of its neighbours.

"For many years, Bahamians thought they were better off than their brothers and sisters to the south," says Senator Obie Wilchcombe, chairman of the opposition Progressive Liberal Party. "There have always been close ties with the US."

Although co-operation with the rest of the Caribbean is far from an alien concept – "now we are discovering that we should work with our neighbours in areas such as tourism," says Senator Wilchcombe – the cultural divide has widened in recent years. In the 1930s and the 1960s, for example, many Bahamians, like others from Commonwealth Caribbean countries, were educated in the UK, providing a meeting place for prospective leaders of the region. Current leaders of the region are among the last to be educated in the UK, with more now going to the US.

"Most Bahamians do not feel any affinity to the Caribbean islands, but more affinity to Florida," says Mr Bernard Nottage, deputy leader of the PLP. "Florida has 350,000 visits from Bahamians each year. The tastes of Bahamians are shaped by US television, and our habits, economy and culture are heavily influenced by our closeness to the US and by tourists who visit."

The Bahamas also faces some problems in its relations with its closest neighbours. The archipelago is attractive to refugees from Cuba and Haiti. There are an estimated 200 Cubans in the country and as many as 40,000 Haitians. All but a few of the latter are illegal immigrants, and the Bahamian and Haitian governments have concluded agreements about repatriation.

Notwithstanding problems further south, the strength of ties with a power the size of America makes some Bahamians feel uneasy.

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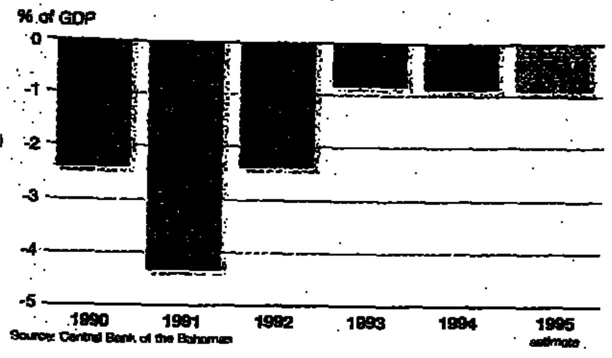

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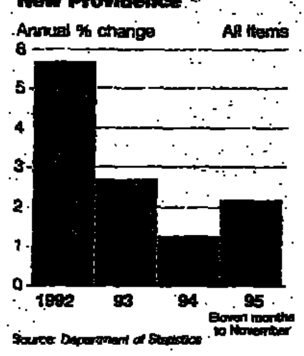

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■ **Developing Grand Bahama:** by Stephen Fidler

Island harbours commercial aims

Projects based around shipping could break the Bahamas' reliance on tourism

If the Bahamian economy is ever going to be based on activities other than tourism and financial services, Grand Bahama holds the key.

Barely populated sixty years ago, it has since been through several periods of furious development followed by subsequent busts. Now another boom is under way that has attracted several big multinational companies to the island, and which offers the hope of a more sustainable expansion.

The modern history of Grand Bahama began in the 1940s. The island attracted the attention of British entrepreneur Billy Butlin, whose tourist development on the island was to prove a costly failure. It also stirred the interest of a US financier, Wallace Groves, who had been jailed for two years in 1941 on fraud charges, and who subsequently bought large tracts of the island. Its sole export at that time were pine trees exported as pit props to Britain.

In 1955 Groves negotiated an agreement with the colonial government which ceded 235 square miles of land – about a third of the island – to his company, the Grand Bahama Port Authority (GBPA). It gave the company relief from taxes and a quasi-governmental role, in planning, licensing private enterprise and providing infrastructure.

The agreements were amended in 1960 and 1966, and the current government extended the privileges, which for example excuse businesses from duties on imports until 2054 and residents from property taxes until 2015.

By the late 1960s, according to Mr Edward St George – who owns half of the port authority, with British businessman Sir Jack Hayward owning the other half: "The company was taking a wrong direction, and after Wallace Groves retired in 1970 the company was pretty much in the hands of professional managers."

In 1978, when "the company was in extreme difficulty" and running at a considerable loss, Mr St George and Sir Jack, whose father had been involved in the company, took over its management. They later acquired 100 per cent ownership through a complex series of transactions.

The company had another problem following independence in 1973. "The government was taking a hostile view to Freeport, seeing it as a foreign enclave in Bahamian territory," says Mr St George.

Furthermore, the 1970s marked the end of a speculative property boom on the island. The company had been selling lots to many individuals whose main idea was to sell on their property at a profit, without developing the land. Many of them cannot now be traced.

Mr Albert Miller, president of the GBPA, comments: "We have lot of owners that we can't find."

The programme of selling lots alone was discontinued, but the programme had a more positive legacy: infrastructure. The company used the cash from the sales to build roads, electricity distribution, sewerage and canals. Mr Erik Christiansen, a Danish businessman building an $85m marina project on the island, estimates that the value of the infrastructure "in place, paid for and still unused" has a value of $1.5bn.

> Grand Bahama lacks a full range of service companies

Relations with the government did improve for a variety of reasons. A government commission of inquiry, reporting in 1984, found that Mr St George had provided a loan, at extremely generous terms, to Sir Lynden Pindling, the then prime minister.

Nevertheless some politicians continued to see Grand Bahama as competition to the main population centre of New Providence. Now, however, says Mr St George, that view has no resonance.

"Both sides of the political spectrum have realised that this isn't just a foreign-owned entity," he says. Ninety-five per cent of Grand Bahama residents are Bahamians, and Bahamians will benefit from the expansion in employment that current plans imply.

However, with Mr St George and his partner both in their seventies, the company has changed tack. Instead of trying to do everything itself, it has been bringing in partners to create joint ventures – gaining both finance and expertise – from its separate businesses.

Southern Company of Atlanta has taken a 50 per cent stake in the Freeport Power Company. Hutchison Whampoa, part of the big conglomerate controlled by Hong Kong entrepreneur Mr Li Ka-Shing, has taken half of the harbour company with an option to do the same with the nearby airport.

Bovis, a subsidiary of Britain's P&O, is seriously examining a stake in the Grand Bahama Development Authority, with which it shares interests in construction, ferries, cruise ships and tourism, and has already located a senior manager in Freeport to act as an adviser. There is, says Mr Keith Perry of Bovis, an unusual overlap between the two businesses.

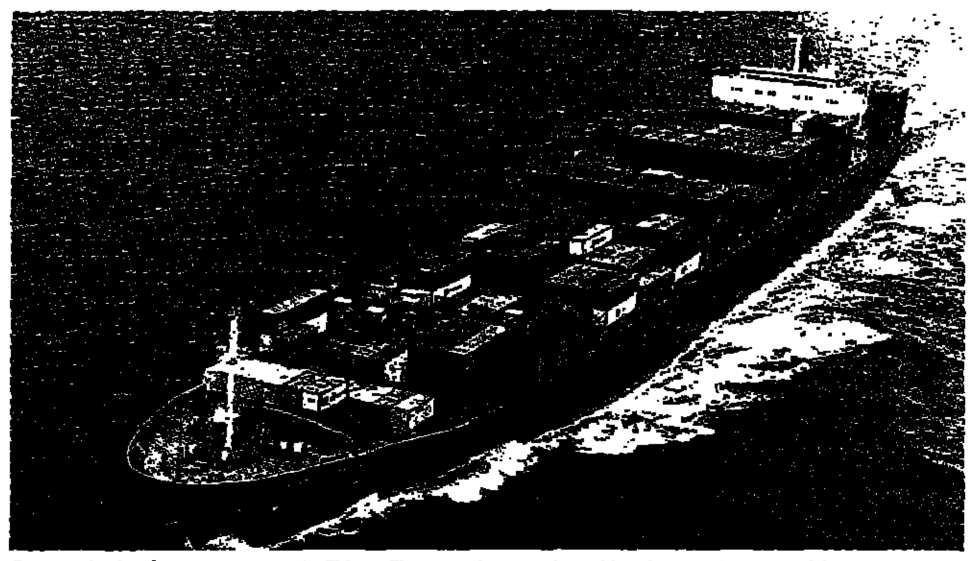
Mr St George says the next step will be to bring in Bahamian shareholders for up to 25 per cent of each joint venture, through public share issues.

The process, which should start this year with the sale of 10 per cent of the power company, may also help to cement the idea, among politicians and in popular opinion, of Freeport's future as integral to that of the Bahamas.

The harbour is central to the development of the non-tourist sector. Hutchison's interest stems from changes in global shipping. The plan is that Freeport should become a transhipment container port capable of taking the giant container transporters of the latest generation – the so-called super post-Panamax ships. This would then feed smaller north-south services going into the US and Latin America, whose international trade is growing rapidly.

The initial $78.3m investment, due to be completed in the third quarter of this year, will develop a 45-acre container site and 1,800 feet of berthing. The harbour will be dredged to 47 feet, and to 51 feet alongside the container terminal. This should have annual capacity of 400,000 TEUs (twenty-foot equivalent units). A second $45m phase is also being contemplated.

"The beauty of this place," says Mr Michael Power, deputy chief executive, "is that it has enormous expansion potential." This contrasts with most more established ports around the world which are in crowded urban areas.



Cargo cult: developers hope new facilities will attract the container ships that dominate world freighting

An unusual barter agreement has Martin Marietta of the US digging out an estimated 28m tonnes of aggregate close to the harbour, which will allow for a huge eventual expansion of the harbour at a small cost to the company.

The harbour, which already handles 600,000 passengers a year, is also developing its cruise ship capability. The proximity to the airport meanwhile, whose 11,000-foot runway is capable of taking Boeing 747s, could facilitate rapid shipment of certain types of cargo.

The port is critical to the development of industry in the Bahamas. Apart from the Bacardi distillery and the local brewery on New Providence, the Bahamas' modest industry is based in Freeport. Associated with the need to service the giant cranes being constructed, Motherwell Bridge, a Scottish engineering company, is establishing an engineering plant there.

Other developments include the establishment of a new plant by Dart Container of the US, the privately-owned maker of polystyrene cups. There are hopes too of reviving the Venezuelan-owned refinery which has been a storage and blending plant since the 1980s.

Freeport's attraction to manufacturers is its tax-free status, and also the Bahamas' current duty-free access to the US and the European Union through the Caribbean Basin Initiative and the Lomé convention.

However, operating from a small island base brings its difficulties. Mr Andre Cartwright of Pharmaceutical Fine Chemicals, which supplies high grade chemicals to the pharmaceutical industry, says one disadvantage is "the cost of power, which is about twice the rate on the mainland". And while he has no complaints about the quality of his workforce – there are 150 people on staff and 50 contractors on site maintaining equipment – there is a shortage of qualified Bahamian PhDs

He says the island also lacks companies providing support services, for example to provide industrial gases and waste management services "to enable industries to focus on their core capabilities".

The cost of freight is also high. Because of the difference in the size of the ships used, it is cheaper to ship freight from Europe to Florida than from Florida to Grand Bahama, only 50 miles away. That should change, says Mr Power, once the container terminal is in full operation. Mr Cartwright says he will believe it when he sees it.

■ **Tourism in Grand Bahama:** by Canute James

Developers scramble to increase capacity

The island's proximity to the US coast has fuelled a boom in visitor numbers

The resurgence of tourism in the Bahamas has brought the island of Grand Bahama an embarrassment of riches. After years of what one investor described as "hibernation," Grand Bahama is now the focus of attention not only from traditional tourists, but also investors seeking holiday homes.

Such has been the growth in tourism that the island needs more rooms, and fast. "We have 3,000 hotel rooms and we are full," says Mr James St George, deputy chairman of the Grand Bahama Development Corporation which is responsible for developing tourism. "We need many more hotel rooms."

The island is a few minutes by air and a few hours by boat from Florida. It boasts one of the world's largest privately owned airports, and an expanding harbour for cruise ships. Just over 587,000 stopover tourists visited Grand Bahama last year, 11.8 per cent more than 1994. Nine out of every ten came from the US.

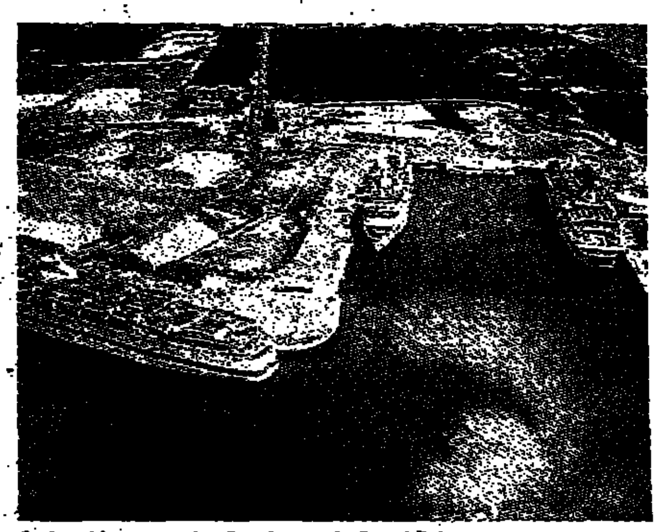
In addition to the 287,000 cruise visitors last year, increasing numbers are visiting on ferries from the south-eastern US. These day trippers often extend their stay to one night in the island.

"We are talking to three major hotel groups which are interested in four-star and five-star properties on Grand Bahama," says Mr St George. "In addition to being closer to the US than other resort destinations, we offer a varied holiday which includes diving, fishing, golf and yachting."

The infrastructure for the expansion of residential tourism was installed several years ago, but the response from investors was poorer than expected. "This period of uncertainty has ended," says Mr Hannes Babak, president of Oceanfront Developers Company which is constructing condominiums on the island.

Residential and industrial construction development on Grand Bahama will be encouraged by a recent agreement between the Grand Bahama Port Authority, P&O and the latter's construction subsidiary, Bovis. The agreement includes a review of the development of Freeport, and a campaign to attract new investors in industrial and residential development to the island. "We are acting as advisers but we may take equity in some tourism developments," says Mr Keith Perry, president and chief executive officer of Bovis Bahamas Limited.

For Mr Erik Christensen, developer of the Lucayan Marina Village, a 125-condominium development with extensive marina facilities, the business environment on Grand Bahama is as good as could be expected. "This is a perfect environment for an investor. All the infrastructure is in place and has been paid for. It is well-managed and clean and there is a very good and disciplined work force."



Cruise ships moored at Port Lucaya in Grand Bahama

The architecture of the islands echoes US and European archetypes

Population of the Main Islands of the Bahamas		
Island	1990	1980
New Providence	171,542	135,437
Grand Bahama	41,035	33,102
Eleuthera, Harbour, Spanish Wells	10,524	10,631
Abaco	10,061	7,271
Andros	8,155	8,307
Exumas	3,539	3,670
Long Island	3,107	3,404
Cat Island	1,678	2,215
Bimini	1,638	1,411
Inagua	985	924
Berry Islands	634	509
Rum Cay, San Salvador	539	825
Acklins	428	618
Crooked Island (icl. Long Cay)	423	553
Mayaguana	308	464
Ragged Island	89	164
Total	209,505	254,685

Source: official census

■ **History:** by Stephen Fidler

Piracy, rum and politics

The country's strategic position off the coast of the US attracted some louche visitors

Piracy, smuggling and gun running have played an important role in providing livelihoods for the people of the Bahamas for more than three centuries.

The Bahamian island of San Salvador is one of about five sites claimed by scholars as *Christopher Columbus's* first landfall in the new world, and one which some say best fits his description. He moved on after 15 days and the first European settlement was not established in the Bahamas until 1648.

By the late 17th century, Charles Town – it was renamed Nassau in 1695 – was teeming with pirates who preyed on passing, mostly Spanish, ships. Mariners were said to use the evil smell of the place to locate it.

In the 18th century and early 19th century it was a base for privateers – licensed by the British government to sack enemy ships. Activity was intense during the Seven Years War, the American War of Independence and the war of 1812. Because of this, the colony was occupied by rebel Americans in 1776 and in 1782 by the Spanish. Wrecking – plundering the many ships that sank in the Bahamas' perilous waters – was also profitable.

The American Revolution led to the exile of many colonists loyal to the British crown, and their settlement in the Bahamas changed the character of the *islands. It was they who* built many of Nassau's elegant colonial houses and public buildings.

However, the 19th century was a lean time until the American Civil War, when Nassau was used as a base for running the North's shipping blockade against the Confederacy. The high risks meant successful ships profited hugely: a successful round trip could bring as much as $300,000.

The US provided the basis *for the islands'* next boom: prohibition. According to Michael Symonette's brief history of the islands, *Discovery of a Nation*: "Bootlegging or rum-running was the leading Bahamian industry from 1920 to 1933." Crime grew, and the Lucerne Hotel in Frederick Street hosted an annual Bootleggers' Ball.

> The islands' location close to the US has always appealed to smugglers

The merchants who grew rich during this era carried the names of many who were prominent in the colonial assembly – Kelly, Sands, Symonette, Bethell, Christie and Collins. Many of them later became known collectively as the Bay Street Boys – after Nassau's main commercial thoroughfare – and dominated pre-independence Bahamian politics.

In the late 1970s, another boom was to follow a similar pattern. Drug traffickers used the islands' proximity to the US to trans-ship an estimated three-quarters of the cocaine *going into the US.* Some observers believe that a crack-down on drug trafficking and money laundering was mainly responsible for the Bahamian economic downturn from 1988 to 1992.

Because of the Bahamas' poor quality limestone land, the islands never developed the huge plantations and slave gangs of colonies elsewhere in the Caribbean. But the black majority was under-represented in the House of Assembly until universal adult suffrage was introduced in 1962.

Black political awakening dates back to 1942 and the so-called Burma Road riots, *over the higher wages paid to foreign white workers than to* black Bahamians in the building of the international airport. In 1953, the Progressive Liberal Party – the first political party in the country – was created by a group of mulatto professionals. It had little impact until it was gradually taken over by a newly qualified black lawyer, Lynden Pindling.

The PLP forced the Bay Street Boys to create their own party, the United Bahamian Party, which won the 1962 election, even though the PLP polled a majority of votes. *Internal self government* followed in 1964 and the PLP victory of January 10, 1967, led to *Independence in 1973.*

KEY FACTS

Area	13,939 sq km
Population	275,000*
Head of state	Queen Elizabeth II
Prime Minister	Hubert Ingraham
Currency	Bahamian dollar (B$)
Average exchange rate	B$1=US$1 (fixed)

ECONOMY

	1994	1995***
Total GDP (U$m)	3,408	3,590
Real GDP growth (%)	0.3	1.0
Consumer prices (% chng pa)	1.5	2.5
Components of GDP (%)****		
Private Consumption	70.5	N/A
Total investment	13.9	N/A
Government Consumption	12.8	N/A
Exports	58.9	N/A
Imports	-56.1	N/A
Visitor arrivals	3,447,477	3,239,155
Tourism expenditure (U$m)	1,332,594	1,345,398
Reserves minus gold (U$m)	176.6	179.2
Total external debt (U$m)*****	453.3	374.5
Debt service ratio (%)	5.4	4.2

Main trading partners (1994)******	Exports	Imports
USA	30.5	26.5
UK	7.3	1.8
Greece	6.9	1.4
Norway	6.6	2.7
Japan	1.8	21.2
Italy	0.5	11.0
Iran	N/A	7.0

*1995 mid-year estimate. **Year to date. ***Estimate unless otherwise indicated. ****1993 figures only. *****Foreign currency debt. ******Share of trade.
Source: Economist Intelligence Unit, IMF, Datastream.

Social indicators: the Bahamas contrasted with three Caribbean nations	Infant mortality (per 1K live births)		Life expectancy at birth (years)		Population per doctor		Population per hospital bed		Access to safe water (%)		Illiteracy rate (%)	
Country	1970	LAE[1]	1970	LAE	1970	LAE	1970	LAE	1970	LAE	1970	LAE
Bahamas	35.0	25.0	64.9	69.6	1,315	776	196	238	65	97	-	3.0
Barbados	38.2	8.5	68.7	75.5	1,914	1,124	98	122	98	100	0.7	1.0
Jamaica	43.2	13.6	67.7	73.8	2,632	2,083	244	300	62	72	3.9	1.6
Trinidad and Tobago	52.0	10.5	65.4	71.8	2,248	962	202	196	96	96	7.8	3.9

[1]LAE = latest available estimate. Source: Inter-American Development Bank. Note: Social indicators are collected by countries through censuses and surveys taken, in many cases, infrequently and on other than an annual basis. Therefore, the data for 1970 are for years as close to 1970 as possible and in no case earlier than 1970 nor later than 1979. Data for the latest available estimate are in no case prior to 1985 and for many of the indicators refer to the early 1990s. Users should be aware that the concepts, definitions and methodologies employed in the collection of such indicators vary from country to country and often vary over time within countries.

Power surge

The Freeport Power Company, which already has installed capacity significantly higher than demand, is expanding further. It hopes to capitalise on expected increases in tourism and industrial investment in Grand Bahama.

The company is jointly owned by the Grand Bahama Port Authority and Southern Electric of the US. "Southern Electric looked at the business environment in Grand Bahama, liked what it saw, and signed a contract," says Mr Larry Brantley, chief executive of Freeport Power.

He adds: "Freeport has great potential for trade and transport, and could be an industrial centre. So we have to be ready for increasing demand."

The expansion of the company coincides with plans to change the structure of its ownership. A public issue of ten per cent of its shares is being made this month June, and the free float could eventually rise to 25 per cent, says Mr Edward St George, chairman of Grand Bahama Port Authority.

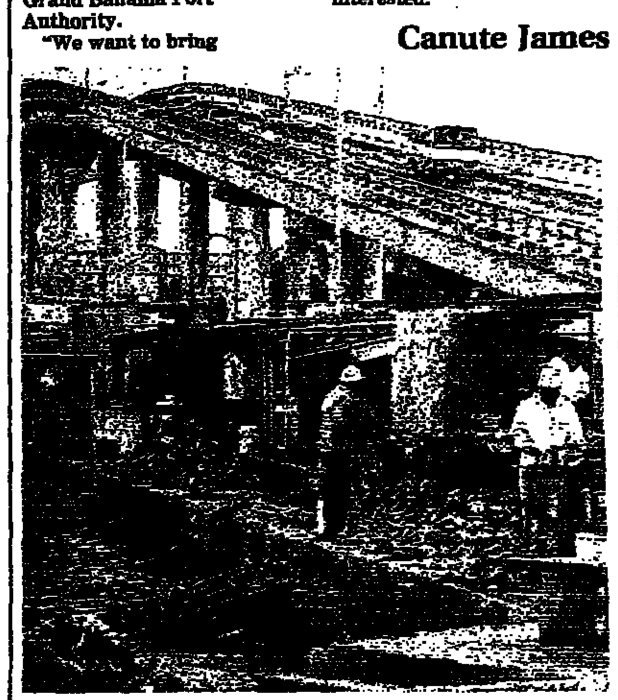
"We want to bring Bahamian shareholders into the company," he explains. "This is not intended to raise money but to make Bahamians participate. The company has no debt, but it will have when we buy two generators for $30m to cope with increasing demand."

Freeport Power's installed capacity is 109 megawatts, with peak demand at a half of this. The company has concluded the purchase of the first of two generators which will eventually lift capacity to 136 megawatts. It will be commissioned by October next year.

Southern Electric is an active participant in the Caribbean power industry. It recently bought a 49 per cent stake in the Trinidad and Tobago Electricity Commission, and is a front-runner to purchase the state-owned Public Service Company in Jamaica.

"Southern Electric will continue to expand where expectations for a growing markets are good," says Mr Brantley. "If the Bahamas Electricity Corporation is up for sale, then we would be interested."

Canute James



Demand for electricity from infrastructural projects should grow

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■ **The Family Islands:** by Richard Lapper

Low stress, slow service

Residents are unwilling to compromise their lifestyles in pursuit of tourist dollars

"The Italian in room six wants to leave. He is complaining that there is a lizard in his room," shrieked the owner of a small hotel in Dunmore Town, Eleuthera, one of the most developed and arguably most beautiful of the Bahamian "Family Islands".

The Family Islands, which stretch round Grand Bahama and Providence Island, Bahama's main population centres, and extend 500 miles south-east towards Puerto Rico, are fiercely promoted by the Tourism Ministry as ideal destinations for ecotourism and as locations for second homes.

The stressed Dunmore Town hotel owner is one of a number of the more than 60,000 Family Islands residents who view with mixed feelings the potential impact of the ministry's publicity drive. The attractions of the islands, ritually extolled in the Tourism Ministry's brochures, are real enough. They boast turquoise-blue seas and "pink sand" – the three-mile beach at Harbour Island, off Eleuthera is coloured pink by tiny fragments of coral and conch shell. The islands enjoy a near perfect climate and host abundant wildlife.

Inagua boasts flamingos and wild donkeys, Exuma has giant lizards, and Abaco wild parrots. Visitors can take snorkeling courses with the son of Jacques-Yves Cousteau, the famous undersea explorer, spot dolphins and even whales and catch bonefish, which are so inedible that even the environmentally-unaware throw them back into the sea alive.

Tropical fish appear to be everywhere. Even from the harbourside at Man-O-War Cay, off Abaco, for example, dozens of tangerine and sky-blue parrot fish, black and grey striped groupers and a four-foot-long sea turtle are clearly visible swimming through the clear water.

The islands have other features that will appeal to the environmentally-conscious. There are few cars. On many smaller islands residents and tourists alike travel by electric golf cart. Crime – a problem in recent years in Nassau – is unknown and as a result of a largely successful US clampdown, both the cocaine and the marijuana trade, as well as drug addiction, have both declined markedly.

It is easy to sense though that these tiny communities may find it difficult to cope with a big influx of tourists. Partly this is because natural conditions have made it relatively easy to earn a living from fishing and agriculture, as well as from illicit activities. Without apparently trying too hard the Bahamas has been at various times in its history one of the world's biggest producers of pineapples and sea sponges. In the nineteenth century residents of Hopetown in Abaco Island were doing such good business by salvaging ships wrecked off the island's reefs that they tried to sabotage the construction of the Hopetown lighthouse.

Hoteliers and restaurant owners are stubbornly uncommercial in their approach. Some apparently run businesses for the convenience of their employees or themselves. At one hotel in Abaco, for example, a check-in time of four in the afternoon contrasts with a check-out time of ten in the morning, leaving staff a comfortable six hours to prepare rooms. Although the central islands of New Providence and Grand Bahama are developing a year-round approach to tourism, in the Family Islands the tourist trade is heavily seasonal, with some facilities closing altogether in the autumn. Prices are high and facilities poor by international standards.

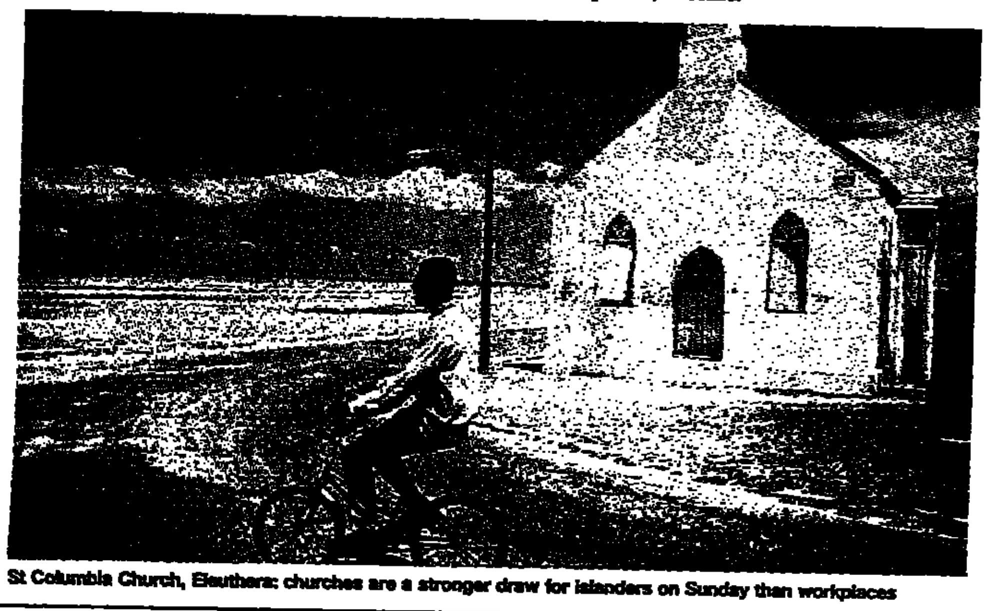
Local businesses – ranging from hoteliers to estate agents – are curiously publicity-shy. A sign exhibited in a small drinks kiosk at North Eleuthera airport typifies the mood. "I don't want to hear nobody business !!! And I don't want no (sic) any one problem. Thank you !!!"

On Sundays restaurants and even some hotels close. Many islanders are evangelical Christians – with Pentecostal and Seventh Day Adventists, Plymouth Brethren, as well as Methodists and Baptists enjoying strong followings. The 2,000-strong mainly black community in Harbour Island boasts no fewer than eight churches, including one specially built for some 100 Haitian inhabitants. A few hundred white residents at Man-O-War Cay, originally settled by British Loyalists escaping the American war of Independence, support three churches.

On Man-O-War, the conservative, teetotal local community has successfully deployed its traditional boatbuilding skills to maintain and repair the yachts and homes of US residents and other visitors. But its local board of works refuses to allow further development, such as small hotels. Local restaurants do not serve alcohol.

All the islands are fiercely protective against outside criticism. A UK television travel documentary which attacked standards on Harbour Island provoked a storm in the local community. In Abaco a critical mention of the island by Mr Christopher Darden, prosecutor in the OJ Simpson trial, in his book about the legal action, has caused consternation among locals. Mr Darden was following up on reports that Simpson and some friends had moored their yacht off Man-O-war Cay.

For the moment a deluge of visitors is not on the cards, not least because of the deficiencies of the transport infrastructure. In the longer term, Mr Vincent Vanderpool-Wallace, director general at the ministry of tourism, is hopeful that private capital can be tempted to invest in a high-speed ferry service which would link each of the islands. At present, although it is possible to reach any of the islands by air from either Nassau or Miami, or in more leisurely fashion by mail boat, "island hopping" is not easy. Even though a number of smaller companies offer charter services, these are erratic and poorly advertised. Nassau travel agents as well as the staff at the tourist office seem to be oblivious of their existence. Stress levels are likely to be low for some time to come.



St Columbia Church, Eleuthera: churches are a stronger draw for islanders on Sunday than workplaces

■ **Tourism companies:** by Canute James

Tax breaks lure foreign cash

Some politicians think the government has been over-generous with tax breaks

When Mickey Mouse, mascot of the Disney company, met Bahamian government officials in Nassau recently, it was to celebrate an agreement which the administrators of the country's tourism say will significantly increase the volume of visitors to the islands. In the latest big foreign investment in Bahamian tourism, Disney Cruise Lines is to build a terminal at Gorda Cay, where it has bought 400 acres from private owners, with an option to acquire another 400 from the government.

The company is building two cruise ships which will begin using the terminal and calling at Nassau in 1998, bringing 500,000 visitors per year – one third the number of cruise visitors to the Bahamas last year.

Disney Cruise Lines had been searching for an island destination for its cruise passengers, and will use its Bahamian venture for offshore tours to complement its amusement park in Florida, says Mr Arthur Rodney, president of Disney Cruise Lines.

Foreign investment in Bahamian tourism has been growing since 1992, when the new government decided to sell off indebted properties taken over by the previous administration.

"The government was forced to take over hotels in the 1980s because foreign owners, facing financial problems, were pulling out of the business," says Senator Obie Wilchcombe, chairman of the Progressive Liberal Party which formed the government for 25 years until the 1992 election. "There was a need to keep the properties open to preserve jobs."

Government officials say the first real signal of change in the industry and the country was the decision of Sun International Hotels of South Africa to invest $100m in improving and expanding the Paradise Island resort and casino which it bought from Resorts International of the US. Sun International has since said it will invest $225m more on Paradise Island to add 1,000 more rooms.

"Our decision to invest was guided by the proximity of the Bahamas to the US, and by the fact that the country had all the infrastructure in place," says Mr Butch Kerzner of Sun International. "We also concluded that there was an understanding in the highest levels of the Bahamian government of the value of our investment to the country."

Sun International and other investors in tourism have been given a range of tax breaks. There is some controversy over the concessions and the real value to Bahamian tourism of the resulting expansion.

"We have not given away too much in concessions. We had concluded that we could not attract investments if we did not give concessions," says Mr Hubert Ingraham, the prime minister. "Our largest hotels were either bankrupt or up for sale. Sun International's proposals offered an opportunity to transform Paradise Island. We took advantage of the opportunity."

Mr Bernard Nottage, deputy leader of the PLP, said that while Sun International's investment was improving the country's tourism capacity and infrastructure, it represented a "windfall" for the company, as the government had given concessions worth $350m over 20 years and had got in return an investment of $225m.

"The PLP claims Sun International got too much, but it is not true that the concessions it got are a burden on the Bahamian tax payer," says Mr Steven Giegerich, economic and commercial officer of the US embassy in Nassau. "It is a win-win deal. It had a snowballing effect and brought in other significant investors such as John Issa and Gordon Stewart."

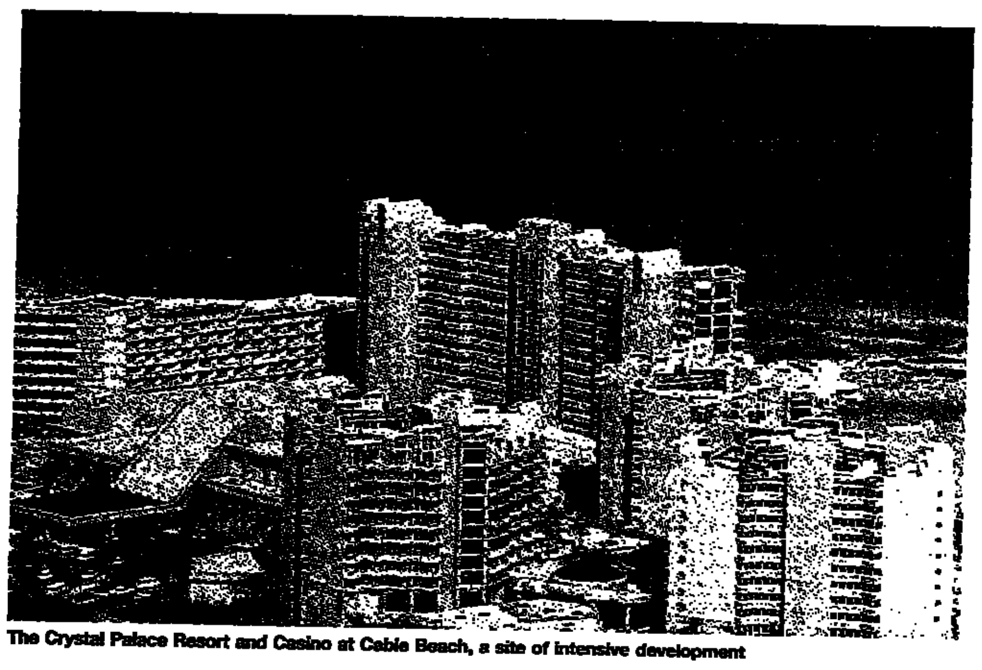
> The number of new jobs created is the subject of heated debate

Mr Issa and Mr Stewart, Jamaican hoteliers who own two chains of all-inclusive hotels, have been spreading their operations to other parts of the Caribbean. Both bought hotels on the Cable Beach resort, spending $56.5m to acquire and refurbish the properties. These new investments have raised questions about the value of all-inclusives to Bahamian tourism, already with very few linkages to the rest of the economy.

"All-inclusives in the Bahamas are different from those in other parts of the Caribbean," says Mr Vincent Vanderpool-Wallace, the director general of tourism. "The conventional belief is that visitors stay isolated in their hotels, but our experience is that people do leave properties to eat and to shop. However, I would not like to see tourism here become totally all-inclusive."

The opposition's criticism of the manner of the divestment of state-owned hotels – and the breaks given investors – are accompanied by charges that some properties are being "given away," and that fewer jobs than were promised have been created by the new ventures. The development on Paradise Island had promised 3,000 jobs, but only 340 of these are new, claims Senator Wilchcombe.

"There is in fact new employment," says Mr Vanderpool-Wallace. "With the uncertain state of the industry, many workers were working two days per week. Now they are back to six days, so there is increased employment. If we were to count heads it would seem that there has been no increase."



The Crystal Palace Resort and Casino at Cable Beach, a site of intensive development

■ **Business traveller's guide:** by Canute James

Commerce in comfort

Good infrastructure makes the islands a convenient place for people to work – as well as play

Facilities for visitors are heavily in favour of people on holiday. However, growth in the offshore business sector and increasing interest in industry on Grand Bahama, has attracted an increasing number of business visitors to the Bahamas.

Telecommunications are adequate, although expensive. The cost of business conducted through overseas calls from hotels can be formidable. Despite this, links between the Bahamas and the rest of the world are excellent, with reliable international connections. There are also facilities for data packet switching.

A wide range of professional services is available for the longer-stay business visitor. Several of the better-known commercial banks are represented on the island, and there are many law firms, chartered accountants and auditors. Getting to the Bahamas from the US and Europe is easy.

The country has a total of five international airports, located on New Providence, Exuma, Eleuthera and Paradise Island. The main airlines serving the country are American, American Eagle, Air Canada, Air Jamaica, Bahamasair, Carnival, Delta and USAir.

Nassau is just over half an hour's flying from Miami, and travelling to Freeport takes less time still. Flying time from New York is three hours, and nine hours from London. Taxis are plentiful at the airports, and rates are set for all parts of any of the islands. Cars are available for rental from several agencies. Driving is on the left.

The Bahamas takes pride in its good safety record. Visitors can drive and walk freely all over the islands, but, just like anywhere else in the world, personal safety measures are advisable.

The Bahamian dollar is interchangeable with the US dollar. The Bahamas offers a wide variety of accommodation in most of the big islands. Some hotels offer convention and meeting facilities.

As a holiday resort, the Bahamas offers the business visitor many opportunities for relaxation after work. In addition to those in hotels, there are many good eating places. Golf courses, tennis courts and facilities for water sports – diving, para-sailing, skiing, yachting – are many.

Where to stay:

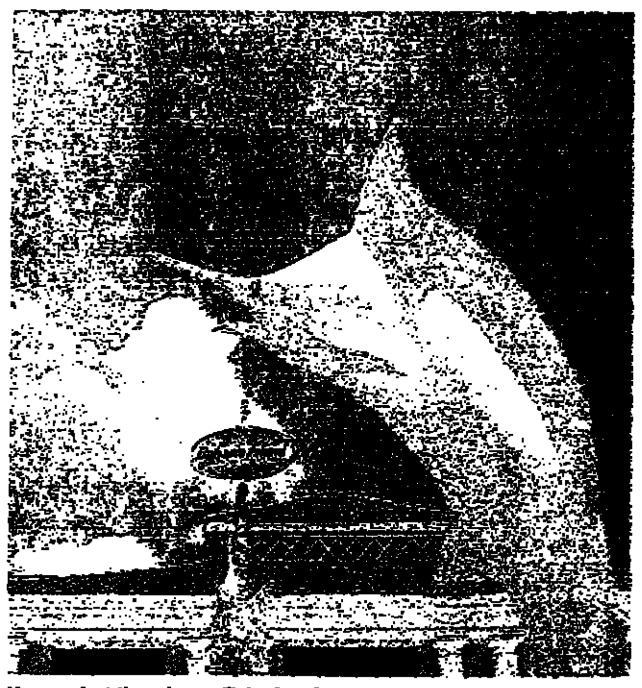
In Nassau:
Ocean Club, Paradise Island, PO Box N 4777. Tel: (809) 363 3000. Fax: (809) 363 2424.
Nassau Marriot Resort and Crystal Palace Casino, Cable Beach, PO Box N 8306. Tel: (809) 327 6200 Fax: (809) 327 6818.
Radisson Grand Resort, Paradise Island, PO Box SS 6307. Tel: (809) 363 3500. Fax: (809) 363 3900.
Pirate's Cove Holiday Inn, Paradise Island, PO Box SS 6214. Tel: (809) 363 2100 Fax: (809) 363 2206.
Forte Nassau Beach Hotel, Cable Beach, PO Box N 7756. Tel: (809) 327 7711 Fax: (809) 327 7615.
Comfort Suites Paradise Island, Paradise Island Drive, PO Box SS 6202. Tel: (809) 363 3680 Fax: (809) 363 2588.
In Freeport:
Clarion Atlantik Beach and Golf Resort, Royal Palm Way, PO Box F 40207. Tel: (809) 373 1444 Fax: (809) 373 7481.
The Bahamas Princess Resort and Casino, Mall at Sunrise, PO Box F 40207. Tel: (809) 352 6721 Fax: (809) 352 2542.
Xanadu Beach and Marina Resort, Sunken Treasure Drive, PO Box F 42438. Tel: (809) 352 6783 Fax: (809) 352 5799.

Where to eat:

In Nassau:
Café Martinique, Paradise Island. Tel: (809) 363 3000. Dinner only. Classic French Gourmet. Expensive.
Graycliff Restaurant, West Hill Street. Tel: (809) 322 2796. Lunch and dinner. International cuisine. Expensive.
Ristorante Vesuvio. Tel: (809) 325 0324. Dinner only. Classic Italian. Moderate to expensive.
East Villa Restaurant, East Bay Street. Tel: (809) 393 3377. Lunch and dinner. Chinese and continental. Moderate to expensive in terms of price.
In Freeport:
Crown Room, Princess Casino. Tel: (809) 352 7811. Dinner only. International. Expensive.
Arawak Dining Room, Lucayan Golf and Country Club. Tel: (809) 373 1066. Lunch and dinner. French/Bahamian gourmet. Moderate to expensive.
Pier 1 Restaurant, Freeport Harbour. Tel: (809) 352 6674. Lunch and dinner. Seafood. International. Moderate to expensive.

Useful addresses:

The Bahamas Investment Authority, (Mr Basil Albury, executive director), PO Box CB 10980, Nassau, NP. Tel: (809) 327 5970-4 Fax: (809) 327 5907.
The Bahamas Chamber of Commerce, (Ms Ruby Sweeting, executive director), PO Box N 665, Nassau, NP. Tel: (809) 322 2145 Fax: (809) 322 4649.
Grand Bahama Chamber of Commerce, (Mr Kenneth T Hutton, president), PO Box F 40808 Freeport, Grand Bahama. Tel: (809) 352 8329 Fax: (809) 352 3280.
Grand Bahama Port Authority, (Mr Edward St George, chairman), PO Box F 42666, Freeport, Grand Bahama. Tel: (809) 352 6711 Fax: (809) 352 8310.
Central Bank of the Bahamas, (Mr James H Smith, governor), PO Box N 4868, Nassau, NP. Tel: (809) 322 2193 Fax: (809) 322 4321).
Association of International Banks and Trusts, (Mr Trevor D Sunderland, president), PO Box N 7880, Nassau, NP. Tel: (809) 326 0041 Fax: (809) 393 3030.
Ministry of Tourism (Mr Vincent Vanderpool-Wallace, director general), PO Box N 3701, Nassau, NP. Tel: (809) 322 7500 Fax: (809) 325 5835.
The Bahamas Real Estate Association (Ms Barbara Brooks, president), PO Box N 8860, Nassau, NP. Tel: (809) 325 4942 Fax: (809) 322 4649.
The Bahamas Institute of Chartered Accountants, (Mr Gerald Sawyer, president,) PO Box N 7037, Nassau, NP. Tel: (809) 394 3439 Fax: (809) 394 3629.
The Bahamas Maritime Authority, (Mr John Dempsey, director) 10 Chesterfield Street, London W1X 8AH. Tel: 44 171 493 5516 Fax: 44 171 491 0587.
The Bahamas Bar Association, (Mr Philip Davis, president) PO Box N 4632, Nassau, NP. Tel: (809) 326 3276 Fax: (809) 327 7360.



Nassau, just three hours flight time from New York Impact

■ **Tourism:** by Canute James

Islands lure fewer visitors

New investment has yet to boost tourism, which is vital to the economy

There are two telling measures of the importance of tourism to the Bahamas. First, more than twelve times as many tourists as there are Bahamians visit the country each year. Second, more than a half of all working Bahamians are employed in tourism, which contributes half the country's gross domestic product.

The Bahamas has made the most of its location. It is just over half an hour by air from Miami, closer to its biggest market than competing destinations in the region – Four out of every five tourists are from the US.

A few years ago the country appeared to be losing out to its competitors. The Gulf War reduced foreign travel by Americans who were concerned about security. Changes in the values of leading currencies against the US dollar sometimes made a European holiday more competitive for North Americans. Competition came not only from other established resorts, but also from several states in the US offering what they hoped was seen as cheaper and safer destinations than the Caribbean.

The sector also suffered from domestic problems. Many big properties were state-owned and under-funded, resulting in deteriorating infrastructure and reduced room rates. The volume of repeat visitors was falling, and the Bahamas was losing market share to competing destinations.

Then the 1992 election brought a new administration to office that was committed to privatising state property. Several major hotels have since been bought by foreign investors.

"We have pulled back from the brink," says Mr William Allen, the finance minister. "We have substantially restored the tourism plant. The government is coming out of tourism. The industry is performing as well as we expected and will continue to be the driving force in the economy."

The administrators of the industry do not appear unduly worried by a six per cent fall in the number of tourists last year. They are encouraged by an improvement in the number of stopover visitors which grew by 5.4 per cent to reach 1.6m in 1995. This could not compensate for a 14.5 per cent decline in tourists arriving on cruise ships.

"Stopover tourists spent $1.3bn last year, which is about $850 per visitor," says Mr Vincent Vanderpool-Wallace, the director general of tourism. "This will increase as room rates are up 19 per cent on last year. We are trying to encourage cruise passengers to stay overnight in the Bahamas and to get off the ship. There is a $15 tax on each passenger, but each spends an average of $85." Hotel room revenues reached $157.8m last year, up by 17.8 per cent, while the average room rate rose from $72.26 to $82.5 per night.

The improvement has coincided with new investments. Sun International Hotels of South Africa, which has invested $100m in properties on Paradise Island, plans another $250m project to add 1,000 rooms. Sandals and Breezes, two Jamaican chains of all-inclusive hotels, have bought properties from the state-owned hotel company and refurbished them. Several other properties have been sold to foreign owners. "For the first time in a long time properties are making money," says Mr Vanderpool-Wallace.

There is disagreement about the money spent on promoting tourism. "The government made an error in reducing the tourism budget by a half," complains Senator Obie Wilchcombe, chairman of the opposition Progressive Liberal Party which formed the government for 25 years until the 1992 election. "$30m has been cut from the promotional budget. As a result we have lost market share to Barbados, Jamaica and Mexico."

The cut in the promotional budget has not adversely affected the industry, counters Mr Hubert Ingraham, the prime minister. "We are spending 50 per cent of what the PLP spent on promoting tourism and we have increased the volume of stopover visitors," he says.

Despite tourism's importance to the Bahamas, there are few linkages to the economy. Very little of the food consumed by tourists is produced in the country. Eighty cents of each dollar earned by tourism is spent on imports for the sector, says Mr Ingraham. Retained earnings are much higher in some of the competing resorts in the Caribbean. The prime minister says he would like the Bahamas to retain 50 cents of each tourist dollar over the next ten years.

Ebbing away: tourist numbers fell by 6 per cent last year Impact

When the construction of hotels on Paradise Island is complete, resorts will be developed in some of the other islands with potential for a variety of holidays. "We will be marketing the unique attractions of these islands," says Mr Vanderpool-Wallace. "This will be a different type of tourism, which will concentrate on fishing, snorkeling, diving, bird watching, hiking and climbing. We have the world's third largest barrier reef at Andros Island."

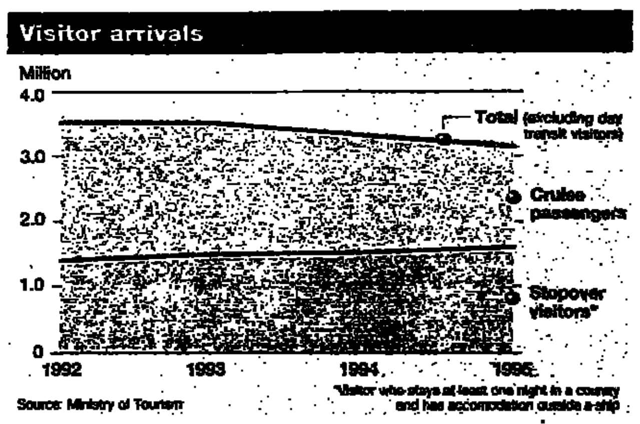
These developments have raised some concerns. Over-expansion could have an adverse impact on the environment. But Mr Vanderpool-Wallace says that assessments of likely damage are done for each big project: "There is no reason to be concerned at the moment," he comments.

There is also a danger that the large developments may not spur as big an increase in the volume of tourists visiting the country as expected. "My concern about developments such as Paradise Island is based on what happened when the Cable Beach resorts were built," explains Mr James Smith, governor of the central bank. "This led to the demise of the smaller hotels, and there was no appreciable growth in the number of visitors. Paradise Island may attract more visitors, but it could reduce the volume of business for resorts at Cable Beach."

Although Bahamian tourism will continue to depend heavily on the US market, new markets are being sought. Increasing numbers of Russians are holidaying in the islands, says Mr Vanderpool-Wallace, while there is a steady flow from other East European countries. More are also coming from Ireland and Latin America.

This wider market has helped to solve a problem which once troubled the Bahamas, and still affects other Caribbean resorts. The high season, traditionally the northern winter, often gave way to low occupancies in the summer. "Seasonality has disappeared and July and August are just as busy as January," says Mr Vanderpool-Wallace.

Visitor arrivals



Source: Ministry of Tourism

*Visitor who stays at least one night in a country and has accomodation outside a ship

RECRUITMENT

JOBS: Companies are reviewing their assessment methods

Calling time on referees

Giving the names of referees with job applications is a routine requirement of recruiters across the employment sector. Does it continue to serve a purpose any more, given that references can be manipulated by those who have a vested interest in doing so?

Anyone who has ever provided a character reference knows how to list the positive attributes of an individual without including the negative side. The approach is employed by sales people the world over with differing degrees of subtlety.

Professor Patricia Leighton, head of the Employment Research and Development Centre at Anglia Polytechnic University, Cambridge, told the Institute of Personnel and Development (IPD) recruitment conference in London this week that references could no longer be relied upon by employers.

She said: "Many informed recruiters have real reservations about using references at all. They argue that they are a poor predictor of performance and prefer psychometric testing, practical work-based tests and assessment centres." References, she said, had become riddled with subtexts and hidden agendas. "A referee may provide a glowing reference simply to get rid of an employee," she said.

In other cases, limited knowledge of the employee or fear of legal action could also make references unreliable. She added: "It's unlikely that an applicant would choose someone who would give them a bad reference in the first place."

Recent case law, however, has established that those who provide sloppy or dishonest references risk claims for damages because referees owe both the job candidate and the prospective employer a duty of care to ensure that any information contained in the reference is accurate.

Angela Baron, an IPD policy adviser, says she cautions personnel managers against giving any testimony, written or oral, which they cannot back up with factual evidence.

While there seems to be a body of opinion against the use of references, bolstered by those who believe psychometrics provide a more objective way of assessing job candidates, it may be worth looking at counterarguments for their continued use.

In most cases references are used as a form of assurance or comforter when the selection decision has been made. They may help to give a more rounded view of the individual and point to certain attributes or qualities that good managers may work upon.

However, it is probably already the case that they have a diminished role in selection. Whether that role should disappear entirely, and, on a broader front, whether subjective selection should give way to the objective approach, are questions that are likely to continue to divide academics and those who refuse to accept that human nature should be dissected and parcelled in boxes.

Country matters

Not everyone contemplating working abroad gives much thought to the cultural experience that awaits them. Some are patently uninterested. Does it matter? In a recent survey undertaken by Amrop International, the headhunting firm, the most widely cited reason for the failure of an international posting was an individual's inability to adjust to a foreign culture.

Yet another survey, by Price Waterhouse, found that pre-assignment cultural briefings were routinely provided for expatriates in only 10 per cent of companies. But are briefings a good idea anyway for people who are not going to adapt?

Some people apply for a foreign job convinced, often quite rightly, that it is an essential or desirable step on their career ladder. They might think the move is expected of them or they might just like the sound of the place. Sometimes they find when they arrive that the job, the country and their environment is not what they expected. Their partners might dislike the place, their children might not settle, and very quickly they want to leave.

Some companies are now instigating programmes designed to detect the likelihood of assignment rejection before the posting is designated. Employment Conditions Abroad (ECA), a human resource and information consultancy, has been piloting a systems-based questionnaire in Cable & Wireless designed to help prospective expatriates and their families weigh up the pros and cons of a move abroad.

The idea is to provide some forum for early introspection, allowing prospective candidates to examine their motives for seeking the move.

Cable & Wireless, which employs about 60,000 people worldwide, handles about 400 to 450 expatriate moves each year. Kathryn Parker, manager for international resourcing and development, said the company found that staff would often apply for a post without too much thought about the impact on their families.

The ECA questionnaire, which covers health, lifestyle, values, career and personal issues, was customised by Cable & Wireless to meet its specific needs. The idea is that the software provides a forum, particularly among partners and families, for discussion about such things as the impact on the partners' ability to work.

● The package is available from ECA, tel 0171 351 5000, price £400.

● The table above includes a newly added position, that of the Futures and Options head, an area of increasing interest, according to Joe Clark, of Day Associates, who compiled the information.

Salary increases among banks, he says, are running ahead of predictions, at 4.8 per cent. The full survey costs £270.

Richard Donkin

SALARIES, BONUSES AND CAR ALLOWANCES IN CITY OF LONDON FINANCE

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Average bonus %	Car provision % with	Car or allowance £ value	Car or allowance £ year
Corporate Finance Head	105,000	112,250	150,000	125,208	50.7	100	23,589	8,575
Capital Markets Head	128,500	145,000	153,000	141,720	38.1	100	31,000	9,264
Bond Sales Head	90,000	99,750	120,000	104,083	47.8	100	18,618	7,493
Fund M'ment Director	116,150	136,389	151,300	134,612	51.3	100	28,625	8,465
Futures & Options Head	78,755	100,000	107,500	94,502	118.0	100	19,918	7,732
Eurobond Trading Head	107,500	130,000	147,500	130,430	30.9	88	25,373	7,696
Equity Trading Head	86,000	100,000	143,750	112,100	84.2	80	19,250	7,277
Private Banking Head	81,250	97,735	110,000	96,329	32.4	83	17,209	7,428
Head of Research	70,833	115,000	135,000	105,333	46.3	86	20,000	6,806
Financial Director	69,200	81,530	92,000	85,365	31.8	100	24,312	7,765
Chief FX Dealer	70,000	92,250	115,000	93,172	25.9	94	19,683	6,898
Legal Services Head	59,334	70,000	80,000	72,694	20.9	94	19,627	6,821
Personnel Director	60,000	75,920	85,800	76,862	26.5	100	22,633	7,014
Money Market Head	57,500	68,137	78,000	68,900	26.4	100	18,474	5,975
D-P Director	55,000	68,000	74,000	66,927	20.2	100	20,198	6,697
Credit Manager	37,839	43,480	48,250	42,945	9.4	72	17,202	5,841
Customer Services Head	28,000	29,813	37,800	32,384	7.3	41	13,500	5,691

Source: Monks Partnership, The Mill House, Wendens Ambo, Essex, CB11 4JX. Tel: 01799 542222. Fax: 01799 541 805

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£Superb Tax Free Packages **Bermuda**

Outstanding opportunity for two highly motivated, talented professionals to join growing firm and generate investments in international forum.

THE COMPANY
- Highly successful global hedge fund with over US $500m under management.
- Active in the US, Europe and Emerging Markets in distressed debt and equities.
- Clear investment philosophy dedicated to achieving superior absolute returns.

THE POSITIONS
- Full involvement in finding and analysing potential investments, making recommendations and monitoring current holdings.
- Focus upon investments in (1) Emerging Markets or (2) Continental Europe or other mature markets such as the US and Japan.
- Increased responsibility for portfolio management with experience. Work with small, highly incentivised team.

QUALIFICATIONS
- Bright graduate, preferably MBA or comparable European qualification. 3 to 5 years' experience with "buy-side" firm as financial analyst or assistant fund manager.
- Must be able to demonstrate successful track record of investment ideas.
- Dynamic self-starter. First-class analytical and communication skills. Team player. Language ability advantageous.

Please send full cv, stating salary, ref FS60601 (Role 1) or Ref FS60602 (Role 2), to NBS, 10 Arthur Street, London EC4R 9AY

N B SELECTION LTD
a BNB Resources plc company

NBS

City 0171 623 1520 • London 0171 493 6392
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Corporate Finance

Premier Financial Institution

Package to Attract the Best **City**

Rare challenge for ambitious professional to facilitate new capital investment in renowned City institution at forefront of momentous change. Broad involvement in corporate capital raising and execution during exciting period of growth. Excellent prospects.

THE POSITION
- High-profile role, dealing with world-wide investors. Full assessment of capital-raising proposals, from initial presentation of investment opportunity to contractual documentation.
- Analyse and assess complex funding schemes.
- Assist with the development of future fund-raising strategies.

QUALIFICATIONS
- Lawyer, accountant (5 years' PQE) or investment banker. Corporate finance experience essential.
- Excellent communication and presentation skills.
- Strong analytical skills and attention to detail. Ability to understand and work within intricate market structure and regulatory requirements.
- High energy, drive and commitment.

Please send full cv, stating salary, ref LG60605FW to NBS, 54 Jermyn Street, London SW1Y 6LX

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HEAD OF HUMAN RESOURCES UK/EUROPE

PREMIER INTERNATIONAL BANK

LONDON **c.£80,000 + PACKAGE**

- Leading international bank with operations worldwide and assets of circa $100bn. Rapidly growing global investment banking activities centred in London.
- The Head of HR is a key member of the management team and reports to the regional General Manager for Europe. The role has functional responsibility for investment and corporate banking, support operations and private banking areas.
- HR generalist with a background in restructuring and managing rapid change. Experience in areas such as recruitment, compensation policy, staff training and development, performance appraisal, union relations and organisational development.
- Provide leadership to the HR function ensuring a pro-active delivery of high quality service, advice and support to the Bank's senior management.
- Graduate calibre, professionally qualified with at least ten years relevant HR experience gained in a leading financial services organisation in both the UK and overseas. Track record of restructuring and change management essential.
- Well developed influencing and interpersonal skills with the ability to operate in a fast-paced and performance-led environment. Internationally orientated and mobile with strong management skills, resilience, and strategic as well as technical abilities.

Please apply in writing quoting reference 1156
with full career and salary details to:
Ingrid Tress
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

STRUCTURED FINANCE ANALYST

PACKAGE HIGHLY COMPETITIVE INCLUDING TOP BONUS

Our client a major U.S. Investment Bank seeks a top quality structured finance specialist to analyse and monitor credit exposures in a range of structured transactions particularly asset-backed commercial paper programmes.

As the structured finance specialist you will be responsible for the analysis of asset-backed and medium term note programmes in Europe. This is a high profile position and involves meeting with clients, execution and documentation of programmes, interfacing with outside counsel and the relevant origination team plus other areas of the firm. You will also be responsible for the ongoing monitoring and credit exposure-management for a range of European counterparties. Working closely with the investment banking/project finance divisions you will advise on a wide range of credit matters.

Graduate candidates must have a minimum of 3 years experience of structured finance gained at a major investment/wholesale commercial bank or a rating agency/law firm. European languages beneficial but not essential.

Please send your CV, with covering letter, for the attention of *Ron Bradley, Director*

Jonathan Wren & Co. Limited
Financial Recruitment Consultants
No 1 New Street, London EC2M 4TP

JONATHAN WREN

Telephone: 0171-623-1266
Facsimile: 0171-626-5257
Compuserve: 100446,1511

P30206

b a n k i n g

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY

CO-ORDINATOR, CONTRACTS ACCOUNTING AND CONTROL

Set in the heart of the beautiful Mountain Kingdom of Lesotho, a high-tech multi-billion dollar water project providing hydropower for Lesotho and water for the Republic of South Africa is underway. A joint venture by the Lesotho and South African Governments, the project is controlled in Lesotho through the Lesotho Highlands Development Authority (LHDA). THe project is funded from many international sources and involves complex multi currency contracts on a large scale.

LHDA is seeking a highly qualified specialist on a two-year contractual basis to assist in protecting its financial interests in the contract development and negotiation stages as well as monitoring and controlling contracts in the post-award period including ensuring proper recording, reconciliation and reporting of contract transactions and the maintenance of effective contract computer systems.

The position, based in Maseru, calls for a commitment to work with and develop local staff for succession, a commitment to develop rapidly a knowledge of local taxation, and wide experience of contract administration and accounting, preferably in a multi-currency environment.

The preferred candidate will be a CA, CMA or equivalent, will be a dynamic team leader with an enlightened approach to staff training and development, and will lead by example through possessing the necessary communication, accounting and computer skills to support his or her specialist knowledge.

The excellent expatriate package includes housing, car and education allowances, relocation expenses and air fares.

Application incorporating a comprehensive CV should be sent in confidence to the Chief Executive, LHDA, PO Box 7332, Maseru 100, Lesotho by 5 July 1996.

(FAX 266 3100600)

Senior Banker

Leading International Bank

City To £100,000 + Benefits

Our client is a long established, full service commercial bank with a far-reaching international network covering all the major financial centres. The bank enjoys a strong position in both the developed and emerging markets. As a result of internal promotion, a senior banker is now sought at Assistant General Manager level to lead client management and business development within a number of geographic markets.

Responsibilities will include:
- managing the bank's coverage of South Africa and selected emerging markets;
- working closely with product officers across the bank to build a wider portfolio of new business;
- winning, pricing and structuring debt financing mandates as lead and sole arranger.

Of graduate calibre and aged at least early 30s, candidates are likely to have received a US commercial bank training or equivalent. Sound knowledge of a broad range of banking products, in particular syndications, will be combined with extensive international marketing experience. Candidates will be highly motivated, independent self-starters with well developed interpersonal and client relationship skills. They must be prepared to undertake regular travel.

Please send a full CV in confidence to GKRS at the address below, quoting *reference number 533J* on both letter *and envelope, and including details* of current remuneration.

GKRS

SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 0171 287 2820
A GKR Group Company

INTERNATIONAL COMMODITIES TRADING

Head of Operations

Gibraltar c. US$200,000 base + Negot. Bonus

Commodities trading division of a dynamic international group with significant banking and investment operations. Principal traded products are crude oil, oil derivatives, sugar, tea & grain.

- Reporting directly to the group's board of directors, with the brief to increase its presence on the international commodities markets.
- Overall responsibility for the development and management of all trading departments.
- As a key member of the group's management team you will play a lead role in determining the future strategic direction of the company.
- Candidates will have at least 10 years experience gained with a major commodities group.
- Proven track record in instigating and coordinating trading activities across a range of geographical and physical markets.
- With outstanding organisational and man management skills, you will be a known achiever both in your present company and in the international marketplace.

Please send full CV to Gary Bannister, Hudson Chase Europe, 91 Charlotte St, London, UK, W1P 1LB.
Tel: 44 171 255 1313. - Fax: 44 171 255 1316. - E-mail: HudChase@msn.com

HUDSON CHASE EUROPE
INTERNATIONAL EXECUTIVE SEARCH

Business Analyst

Uxbridge — **Competitive Package**

▪ *Our client is the European subsidiary of a multi-billion turnover US multinational based in West London. It is sales driven, highly competitive and a leader in its field of technology. The company is committed to further growth in Europe and therefore requires a first class Business Analyst to ensure that appropriate financial and business analysis is available to senior management.*

▪ *Reporting to the European VP of Operations, the successful candidate will have two to five years work experience in risk analysis, financial modelling, design and implementation of new systems.*

▪ *Candidates will have an excellent academic record **with a good degree in Economics** and ideally have had some involvement in logistics, distribution, or worked in a costing environment. Fluency in at least one or more European language would be an advantage. This is an ideal opportunity for candidates with a proven proactive approach combined with drive, to succeed in a fast changing organisation.*

▪ ***Please send your curriculum vitae with an explanation of how you meet these requirements quoting your current salary and reference SK735 to Suzanna Karoly, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.***

ERNST & YOUNG

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

PEREIRE TOD LIMITED

FRENCH EQUITY SALES

London

Pereire Tod Limited is the United Kingdom based securities business of the Mirabaud group. The Mirabaud group is headed by Mirabaud et Cie, a private Geneva based bank established in 1819.

The company is looking to expand its highly successful French equity sales team by **engaging people with substantial experience in institutional equity sales.** The successful candidates will be self motivating with an established institutional clientele coupled with a proven track record. Fluency in French is a pre-requisite.

The remuneration package is completely performance related and highly competitive for the right candidates.

To apply, please write with your full C.V. to:

Marc Pereire, Pereire Tod Limited, 29 Curzon Street, London W1Y 8LH.

All applications will be treated in the strictest confidence.

Pereire Tod Limited is a Member of the London Stock Exchange and regulated by the Securities and Future Authority.

Credit Officer

Major European Bank

City — **Attractive Salary + Banking Benefits**

This highly regarded, profitable European bank has an excellent reputation for stability, strength and quality of service. It has an expanding overseas branch network, including a well established office in London, which continues to develop actively in both corporate and treasury markets.

The role of Credit Officer provides both variety and challenge, as the bank offers a diverse, blue-chip client base the full range of corporate banking and treasury products, including structured and project finance. Reporting to the Head of Credit, the appointed candidate will work independently as part of an experienced team which adds value to the lending process by the high quality of its credit appraisal and documentation – enabling the bank to maximise earnings whilst avoiding unacceptable risk. The bank's Credit Officers are responsible in partnership with the Corporate Banking and Treasury teams for achieving these goals. For the Credit Officers, this also entails working with Head Office specialist departments and external professionals.

Probably aged mid 20s to mid 30s, candidates should ideally have formal credit training and at least three years' relevant credit analysis experience, including exposure to structured and project finance. We would also be interested in hearing from lawyers or accountants with relevant financial services experience. Strong communication and negotiation skills are key. A structured, logical approach and a strong team orientation – complemented by initiative, enthusiasm and personal presence – will be necessary.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 535J on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 0171 287 2820

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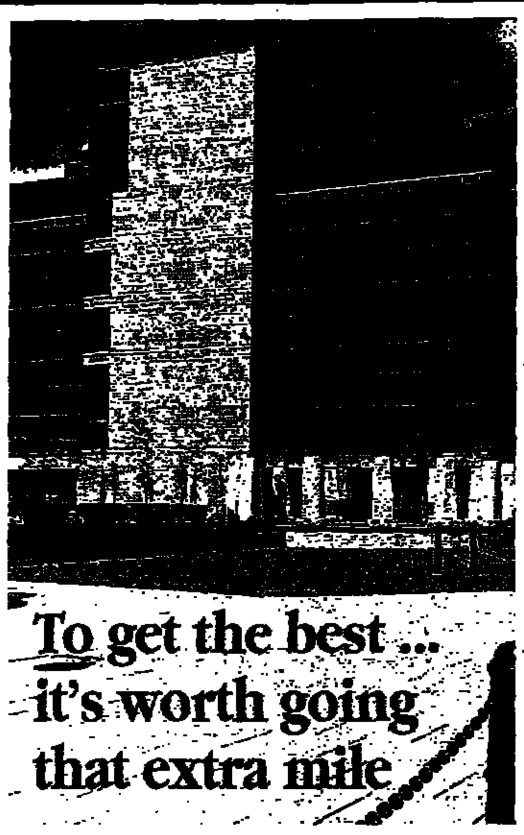


***Bank of Ireland Securities Services** is the largest provider of investment and custodial services in **Dublin**. Our clients are leading international financial institutions located worldwide. From our IFSC base we service client assets currently totalling in excess of US$33 billion.*

Our success to date is built on combining state-of the-art technology with top-class people. Our business approach is dynamic, requiring energetic, innovative and flexible people who are service-driven and ambitious.

If you have a minimum of 2 years experience in the following areas of global custody/mutual funds administration:

- ***Dividends***
- ***Valuations***
- ***Corporate Actions***
- ***Shareholder Servicing***
- ***Settlements***
- ***Fund Accounting***

and would like to develop your career in a stimulating and rewarding environment, we would like to hear from you.

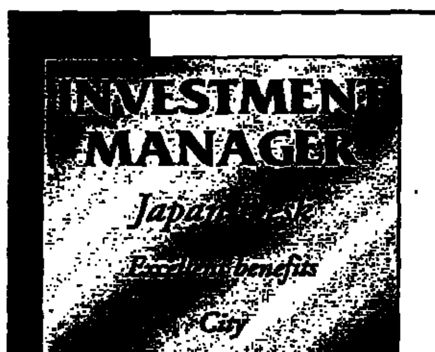
Please send your detailed curriculum vitae to:

Rita E. Smyth, Personnel Manager,
Bank of Ireland Securities Services,
International Financial Services Centre,
1 Harbourmaster Place, Dublin 1, Ireland.
E-Mail: Rita.Smyth@boi.ie

Telephone: 353 1 670 0300.
Fax: 353 1 670 1380.

Bank of Ireland is an Equal Opportunities employer

Bank of Ireland Securities Services



Sun Life Investment Manager is changing to meet the changes in the investment world. Our expansion programme is coupled with a progressive review of everything from risk analysis to personal career development plans. As part of this expansion we need to recruit an Investment Manager, Japan Desk.

Working for the Japanese team who manage funds of around £600 million, you will contribute directly to superior fund performance by generating accurate research and recommendations. With a true understanding of your assigned sectors, and a keen instinct for maintaining company and top stock broking contacts, you're a vital contributor to the Japanese team.

Educated to Degree level, and ideally IIMR qualified, you have 3-5 years investment management experience or a financial background gained in industry or commerce. With proven research and analytical skills, you have a positive influence on key decisions. Innovative, team orientated, and a natural communicator, you can assimilate complex information and create concise reports. A sound working knowledge of information systems and PC applications will also be needed.

With Sun Life, salary, bonus and benefits are extremely competitive - we know how to attract and keep the very best people. So if you're looking for a chance to prove your performance, long term please send detailed CV including current salary to Harriet Catling, Personnel Officer, Sun Life Investment Management Ltd, 107 Cheapside, London EC2V 6DU.

SUN LIFE

CARING ABOUT YOUR FUTURE

Your Key Investment Bankers.

SBC Warburg

A DIVISION OF SWISS BANK CORPORATION

Consultants, Business and Operations Managers

Global Client Services

Interest Rate Derivatives/Equity Products

LONDON · NEW YORK · ASIA PACIFIC

SBC Warburg is an integrated global player; a world leader in investment banking. We are looking for catalysts for change and deliverers of client focused solutions who will make a critical contribution to our continued success.

Our Global Client Service Group – in conjunction with the Sales, Marketing and Relationship Management teams – is actively promoting the product, operational and technological capability of the bank. The Group is not only winning new business and developing existing customer relationships, but is driving forward improvement of service delivery (people, systems and processes) and is involved in the research and implementation of new products.

This is your opportunity to join a global team of professionals responsible for identifying and addressing client needs as well as the services currently provided. Your brief will also extend to maximising efficiency whilst ensuring that clients receive a focused, integrated and seamless service across products and geographical locations.

To qualify, you will be a graduate of exceptional calibre who understands advanced concepts of client service and has a fierce commitment to results and delivery. Probably working either in a management consultancy or a sophisticated financial institution, you must be able to demonstrate outstanding personal qualities – communication skills, credibility, intelligence and influence – and the ability to develop client business. As someone with an international outlook and a willingness to travel and work overseas, you will be seeking a fast moving environment, close proximity both to clients and the business, a steep learning curve and, above all, a truly global challenge.

Please write to Joe Thomas or Suzie Mummé, quoting reference 389, and enclosing a full Curriculum Vitae that includes contact telephone numbers, at BBM Selection, 76 Watling Street, London EC4M 9BJ. Tel: 0171-248 3653. Fax: 0171-248 2814. All applications will be treated in the strictest confidence.

Price Waterhouse

Senior Financial/Corporate Advisor

High level privatisation

Excellent expatriate package

Extensive restructuring of the Indonesian electricity power sector is aggressively underway to promote efficiency and private participation. In line with this effort, Indonesia's largest utility company is restructuring and is involved in the privatisation of several of its business activities.

As Advisor to the President Director, this strategic role is key to the successful restructuring process of the organisation. With a high level of responsibility you will review and improve the overall financial planning capabilities; advise on all the restructuring plans, forms and sequence of resource; manage mobilisation through private participation and co-ordinate third party restructuring activities.

High calibre candidates will possess the following capabilities:

- Successful track record in merchant or investment banking particularly for privatisation within the utilities industry

Indonesia based

- Significant financial advisory experience in: funding, public offering, use of equity and debt instruments
- Preferably conversant with the International – London, New York and Japan – capital and money markets
- Ideally with some experience in South East Asia
- Strong track record in project management
- Highly developed organisational and interpersonal skills

Appointment will be offered on contractual terms for initially 2 years, with opportunities for further extension.

This high profile role offers an attractive expatriate package which will be commensurate with qualifications and experience.

Interested applicants should forward comprehensive resumes within 2 weeks, quoting MCS1634, to Mr. Kemal A. Stamboel, PT Price Waterhouse Indonesia Konsultan, PO Box 2169 JKP 10001, Indonesia. Tel: 62-21-521 2941. Fax: 62-21-521 2950. Email:kemal_stamboel@australia.notes.pw.com

DERIVATIVE PRODUCTS PROFESSIONALS. LEADING BANK, SAUDI ARABIA

A leading Bank based in Saudi Arabia requires the following professionals :

SECTION HEAD

(Capital Markets and Derivatives Processing)

Responsibilities shall include monitoring the daily operations related to capital markets and related derivative products, controlling the deal tickets, supervising the processing of tickets, limits follow-up/reporting, agreements and confirmations, accounting payments and securities settlements, updating of management information database, monitoring the funding of the various positions, controlling execution of settlements by Bank's correspondents and custodians, carrying out regular revaluation of the various positions and account for the corresponding results. This position also involves organizational issues pertaining to fixed income and treasury derivative products viz. definition of operational procedures, implementation of automated systems, monitoring custodian/brokers accounts, direct supervision of subordinates etc.

Applicants must have at least three years experience in capital markets/derivative products, back office accounting, exposure to PC and office automation systems, ability to interact with dealers and executives as well as subordinates. Applicants should be University Graduates in Business Administration/Chartered Accountancy or equivalent qualifications and possess excellent oral and written communication skills.

Please apply immediately to :

Post Box No. A5861, Financial Times, One Southwark Bridge, London, SE1 9HL.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY SEEKS FOR CONSULTANTS TO BE EMPLOYED AT THE HEAD OFFICE ON A CONTRACTUAL BASIS

1. REQUIRED QUALIFICATIONS

a) University Degree of at least 4 years in economics, business administration, finance or banking. (Preferably MA or Ph.D. degree obtained abroad),

b) Excellent command of English, French or German, (An additional language will be an asset)

c) Not to be older than 35 years of age (For the male applicants completion of military service is preferred) by the date of application,

d) Turkish Nationality,

e) To meet other qualifications stipulated in Article 2 of the Personnel Regulations of the Central Bank of the Republic of Turkey,

2. APPLICATION

Interested applicants are kindly requested to apply to the address below not later than June 28, 1996, with a comprehensive CV with the following documents enclosed;

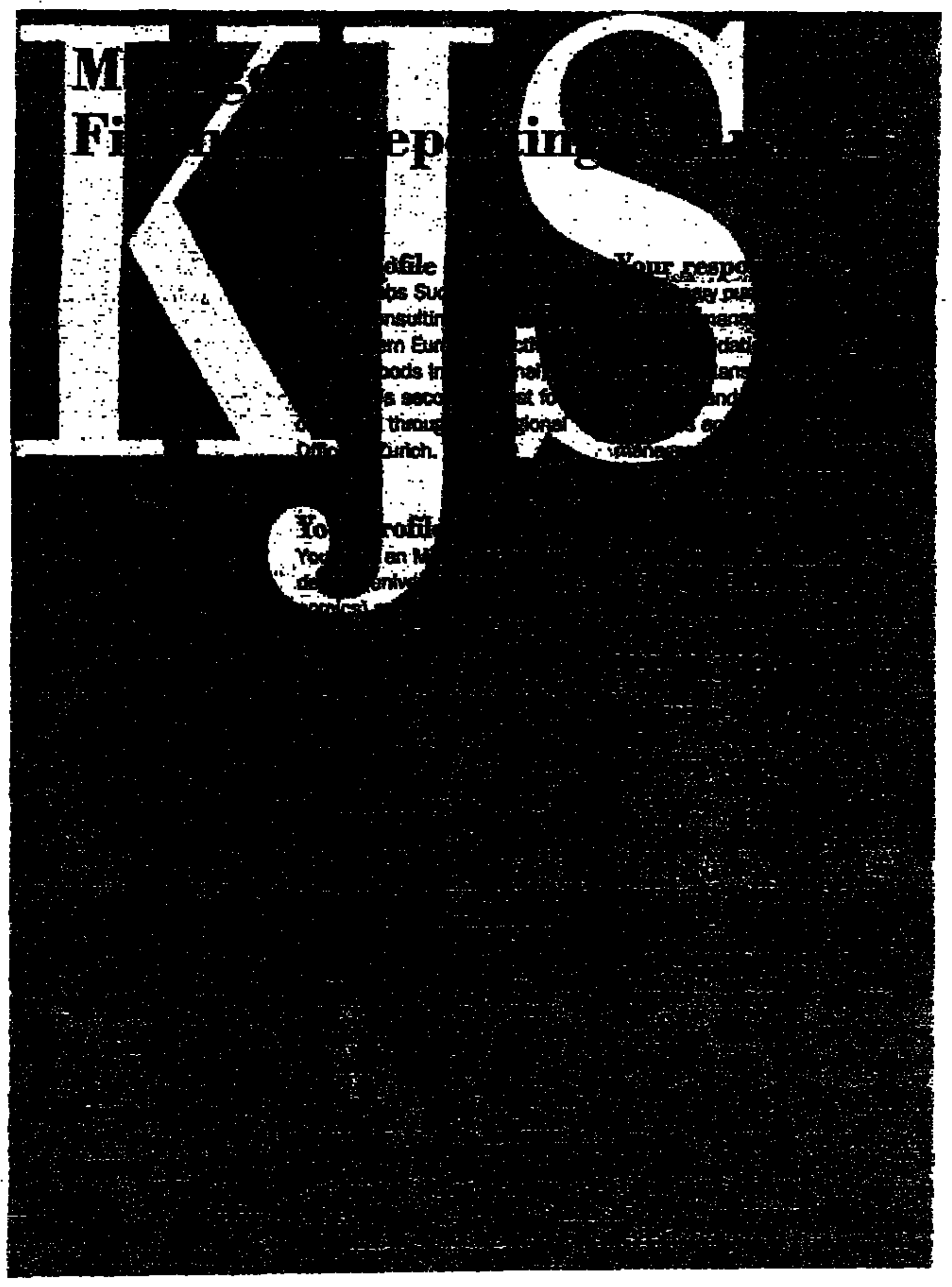
-Diploma, (MA or Ph.D. Certificate),
-Identification Card,
-Two passport size, colored recent photographs,
-Certificate of Proficiency in a foreign language,

Following the evaluation of applications, eligible candidates will be informed of the place and date of the written test and the interview.

ADDRESS:

The Central Bank of the Republic of Turkey
Head Office, Personnel Department
Istiklal Caddesi No:10
06100 Ulus-ANKARA TURKEY

Tel: 90-312-311 87 35
90-312-310 93 39
Fax: 90-312-311 17 25



ACCOUNTANCY APPOINTMENTS

ACCOUNTANCY APPOINTMENTS

Corporate Finance

Premier Financial Institution

Package to Attract the Best **City**

Rare challenge for ambitious professional to facilitate new capital investment in renowned City institution at forefront of momentous change. Broad involvement in corporate capital raising and execution during exciting period of growth. Excellent prospects.

THE POSITION
- High-profile role, dealing with world-wide investors. Full assessment of capital-raising proposals, from initial presentation of investment opportunity to contractual documentation.
- Analyse and assess complex funding schemes.
- Assist with the development of future fund-raising strategies.

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- Excellent communication and presentation skills.
- Strong analytical skills and attention to detail. Ability to understand and work within intricate market structure and regulatory requirements.
- High energy, drive and commitment.

Please send full cv, stating salary, ref LG60605FT to NBS, 54 Jermyn Street, London SW1Y 6LX

N B SELECTION LTD a BNB Resources plc company

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GROUP ACCOUNTANT

West End

c. £30-35,000 + benefits

Our client is a new global fund management organisation formed through the recent acquisition of a leading asset allocation firm by one of the world's largest investment managers. Its customer base incorporates institutional and mutual fund clients from more than fifteen countries, ably supported by subsidiaries in the US, UK, France, Luxembourg, Japan, Singapore and Turkey.

An opportunity has arisen to join this international group, reporting to the Group Financial Controller in what is seen as a key appointment in the Finance function.

THE ROLE
- Assisting in the development of the group reporting function.
- Management of overseas subsidiary accountants.
- Effective management of the Finance function to ensure it reacts quickly to changes in the business.
- Preparation and review of the management, financial and statutory accounts.
- Preparation of group budgets.

THE CANDIDATE
- Graduate recently qualified ACA (0-18 months PQE), not necessarily with an investment management background.
- Strong academic background.
- Good communicator, able to liaise at all levels of management.
- Proven ability of managing, developing and motivating a team.
- Computer literacy: Excel, Word experience preferred.

This role represents an excellent opportunity to join a committed and performance orientated firm that can provide career reward and development.

*Interested candidates should contact our retained consultant, **Adrian Thompson** quoting Ref: ALT071760 at Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 4ND. Telephone: 0171 629 4463. Fax: 0171 491 4705.*

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READING • ST. ALBANS • SHEFFIELD • UXBRIDGE
Part of the Harrison Willis Group

FINANCE DIRECTOR

BRITISH WATERWAYS

WATFORD c. £70,000 + CAR + BENEFITS

- British Waterways manages some 2,000 miles of canals and river navigation. Along with the associated facilities, these support a thriving leisure and recreation industry, as well as being a unique element of our national heritage.
- A new Chief Executive has been appointed whose brief includes establishing a business strategy which will enable British Waterways to substantially reduce its dependency on Government grants.
- The Finance Director will be responsible for all finance and IT and will play a leading role in identifying and developing business opportunities, arranging funding, while aggressively raising the profile of management information.
- Aged 38-48, and of graduate calibre, candidates will be qualified accountants with a record of success at a senior level. Alternatively, a background in economics/project appraisal may be relevant, provided that it includes 'hands-on' financial management.
- Experience of arranging funding, joint ventures/partnerships and dealing with Government departments will be essential.
- This is a distinctly commercial role calling for a team player with well tuned negotiating skills, a business-minded approach and considerable weight of personality.

British Waterways

Please apply in writing quoting reference 1143 with full career and salary details to: Nigel Bates, Whitehead Selection Limited, 11 Hill Street, London W1X 8BB. Tel: 0171 290 2043. http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

MANAGER, BUSINESS PLANNING AND ANALYSIS

HIGH PROFILE INTERNATIONAL ROLE

LONDON TO £70,000

- One of the largest retail financial services groups in the world with extensive international operations in North America and Asia and a market leader in the UK.
- To satisfy senior management's requirements in controlling and reviewing the Group's performance, a new team has been created within the central finance function to support the Group Chief Executive and Group Finance Director.
- The Manager, Business Planning and Analysis will be responsible for analysis of the business and financial performance of the Group's North American Operations. This will require working directly with Group senior management both within the UK and North America. In addition, the individual will undertake a wide variety of projects that affect the Group as a whole.
- This demanding position calls for an exceptional individual with the ability to perform at the highest level and to progress further within the Group.
- Aged 28-32, candidates will have a professional qualification or MBA, with experience in financial planning/analysis, ideally gained in a blue chip environment or as a manager within a professional accounting firm/strategic consultancy.
- The role calls for sharp intellect, flexibility of approach and excellent interpersonal and communication skills, coupled with the stature to operate at the most senior levels. Candidates must also demonstrate a high level of commercial acumen, drive and ambition.

Please apply in writing quoting reference 1069 with full career and salary details to: Phil Bainbridge, Whitehead Selection Limited, 11 Hill Street, London W1X 8BB. Tel: 0171 290 2043. http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Financial Controller

Your chance to grow beyond the role

c.£50,000 London

What Would You Say...

...to the prospect of joining a small, informal organisation that's handling some very big business dealing in the lifeblood of the world's banking community? An organisation that has come from nowhere three years ago to achieve a projected turnover in excess of $150m in 1997.

Are You...

...looking for the right entry point to really make things happen in your career? Waiting for the opportunity to grow beyond the restraints imposed by your current role? Convinced that you would thrive as a key player in a multi-skilled environment, and excited by, rather than scared of, a steep learning curve?

We Need...

...someone who is capable of shouldering much of the financial load currently borne by our CFO and taking over the financial management of a major sector of the business. Yours will be a broad remit, covering areas as diverse as group reporting, system and procedure development, tax strategy and management, involvement in major budgeting exercises as well as revamping MIS to meet the changing requirements brought about by our success.

You Could Be...

...a consultant or a manager looking to break out of the comfort zone; or someone who has already made the first step into a small, growing company and realised that it was too small a step. Either way you must be able to back up your obvious passion for work with a desire to "muck in" in an environment where you make your own coffee.

Around 30, a CA or finance MBA with above average tax knowledge and some international experience, you must have an eye for detail and a high degree of PC literacy. If this was rounded off with exposure to banking and perhaps treasury work...

Might We Have a Fit?

It is an extremely exciting time to join us: we are growing at a rapid rate and offer the opportunity for you to create your own role. For the individual able to meet our high expectations the salary provided will be very competitive.

The Next Step...

...is to write to our advising consultant David Hunter at the address below quoting reference L/1649. But only if you feel you have the appetite and initiative to take responsibility for the finances of an organisation that is experiencing explosive growth at the heart of the world's money markets.

Executive Search & Selection,
Price Waterhouse,
No. 1 London Bridge,
London SE1 9QL.
Fax: 0171 403 5265
Internet: David_Hunter@Europe.notes.pw.com

DIRECTOR INTERNAL AUDIT

LONDON BASE
(World Wide Brief)

c. £50,000 Package + Attractive Benefits

SOTHEBY'S

Formed over 250 years ago, Sotheby's is today one of the world's largest and most respected firms of fine art auctioneers. Sotheby's operates from 100 offices in 45 countries which in 1995 generated sales in excess of $1.6 billion. Recent high profile auctions included the largest house sale in history at Baden-Baden, and the record breaking sale of the Kennedy collection in the USA. The Sotheby's name indicates quality and tradition yet a planned programme of investment in technology and operational procedures has positioned the group favourably to capitalise on, and grow, in this competitive arena.

An integral feature of Sotheby's management structure has been the impact and influence that the Internal Audit function has with particular reference to strategy and long term planning within the group. With this in mind, the group is keen to identify an exceptional individual who will take full responsibility for assessing the risk of Sotheby's global business and provide an independent evaluation of the effectiveness of financial and operational controls.

Reporting to senior management based in the United States, you will develop and implement various long range plans that will contain appropriate vision and constructive suggestions designed to enhance operating efficiencies across the group. Daily contact will involve many disciplines including Business Managers, IT and the Legal function.

As a senior management role, the position requires the intellectual and perceptive attributes of a highly motivated graduate Chartered Accountant with audit managerial experience gained both from within the big four and a progressive industrial group. International and US GAAP exposure is also required.

*Interested candidates should write to **Mark Rowley** at Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR826. Fax: 0171 409 7872. E-mail: **har@globalnet.co.uk***

HERST AUSTIN ROWLEY
BOLOGNA • COLOGNE • LISBON • LONDON
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Part of the Harrison Willis Group

VICE PRESIDENT FINANCE – EUROPE

High Technology
Commercial
Impact

Paris

c.900,000 FF
car, bonus,
options

Our client is a multinational, blue chip, North American corporation with an outstanding record of innovation and profits growth in the high technology sector. The $900m+ turnover European region continues to expand at a rapid rate and internal progression has created the need to appoint a highly commercial finance professional.

The prime responsibility of the role will be to manage the European Finance Group in the provision of financial expertise and business support, and in particular to:

- Assess the viability of new ventures and play a leading role in contract negotiations
- Drive overall business planning and continually evolve organisational strategies to meet corporate goals
- Develop the European finance team through quality recruitment, training and succession management
- Make strong, ongoing commercial and strategic contributions to the long term, profitable growth of the business

Candidates will be qualified accountants or business graduates with at least 10 years' senior financial management expertise gained in a fast moving and marketing led, multinational environment. Previous experience in a North American corporation would be beneficial. A truly global perspective on business management and proactive, incisive leadership skills are prerequisites. Fluency in English is essential. French is desirable and any further European languages would be a distinct advantage.

Interested candidates should write with full CV, quoting current rewards package to Mark Hurley FCMA, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HMH/3129/FT.

INVESTOR IN PEOPLE

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call: Robert Hunt on +44 0171 4095

COLGATE-PALMOLIVE COMPANY

OPPORTUNITIES FOR HIGH CALIBRE BUSINESS-ORIENTED ACCOUNTANTS AND SYSTEMS PROFESSIONALS

BASED NEW YORK

Colgate-Palmolive is an $8 billion USD global company with operations in more than 75 countries serving consumers in 206 countries and territories worldwide. As Colgate-Palmolive aggressively pursues its strategy of further growth and profitability as a leading global marketer of quality consumer products, the New York based Corporate Audit team needs the expertise of finance and systems professionals who want the opportunity to travel and develop an international career.

We would like to hear from business-oriented professionals who are capable of adding value to the business.

OPERATIONAL AND FINANCIAL AUDITORS

- Operational and Financial subsidiary reviews
- Working with senior financial and operational management to improve business processes and control procedures
- Ad hoc special projects as determined by executive management

Candidates should have 3-6 years audit experience from one of the Big Six and/or International companies (manufacturing environment preferred) and be a qualified accountant (CPA/ACA). 50% international travel.

INFORMATION TECHNOLOGY AUDITORS

- Continuous control and optimization of procedures and information systems
- Business process improvement
- Operational project based assignments and special projects

Candidates should have 3-6 years information technology audit experience from one of the Big Six and/or international companies, be a Certified Information System auditor or equivalent. Experience with IBM AS400 and client-server technology including Windows NT and UNIX is desirable. Knowledge of SAP R/3 a plus. 50% international travel.

We are looking for individuals who are flexible, imaginative and possess strong analytical and interpersonal skills. Excellent oral and written communication skills are essential. Candidates will be fluent in English. Knowledge of other languages (specifically French, German, Spanish, Chinese) is desirable. These positions prepare high calibre finance and IT professionals for careers in operating roles in international locations.

Colgate-Palmolive offers competitive salaries and comprehensive benefits.

For further information please contact **Jon Vonk at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP**, Telephone (44) 171 379 3333; evenings and weekends **(44) 171 720 1527; Fax (44) 171 915 8714; E-mail jon.vonk@robertwalters.com**

Colgate-Palmolive will be hosting an informal presentation in London, on Monday 1st July, to individuals who would like to find out more about the company. Numbers will be strictly limited. To reserve a place please contact Andrea Miniken at Robert Walters Associates.

ROBERT WALTERS ASSOCIATES

L O N D O N · W I N D S O R · N E W Y O R K · A M S T E R D A M · B R U S S E L S · S Y D N E Y · W E L L I N G T O N

Millets

To £70,000 package + benefits + significant equity opportunity

Northampton

Finance Director

Millets is a sector-leading national retail chain of 165 shops which was acquired earlier this year from Sears by an MBI team comprising well-respected retail figures and supported by 3i. This profitable business, with a turnover in excess of £60 million, is now upgrading its facia and systems to take advantage of its strong market position in the outdoor wear market, which has huge growth potential. The new team now seeks an ambitious retail finance professional to help realise its strategy and float the business in the medium-term.

THE ROLE

- Reporting to the MD, responsible for providing authoritative financial control and management reporting throughout the business, focusing on upgrading people, systems and processes to support faster and more detailed decision making.
- Focusing on improving the timeliness and the quality of MIS and progressively preparing the business for a flotation by building effective relationships with investors and financial intermediaries.
- Working with the board and investors, providing strategic input and contributing to improving all commercial aspects of the business

THE QUALIFICATIONS

- Graduate calibre Accountant, aged 30+, with management accounting and control experience from a multi-site, growing retail business serviced through central distribution. Highly systems literate with some exposure to treasury and financial reporting.
- Energetic and enthusiastic team player capable of project managing multiple assignments and driven by achieving stretching personal goals.
- Quick-witted and innovative. Able to operate effectively at board level with a real appetite for significant medium-term financial, gain and achievement of plc status.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F61800661, 16 Connaught Place, London W2 2ED

KPMG

Financial Controller

Thames Valley **c£45K+car+bonus**

Our client is a wholly owned subsidiary of a leading global supplier of a comprehensive line of value-added products and services that meet the exploration, production, transmission and processing needs of oil and natural gas companies. Revenues for the parent company in 1995 exceeded $5 billion. The subsidiary has revenues of $400 million, with strong operating profits generated throughout the world. As a result of business growth, they now wish to recruit a Financial Controller to report to the Vice President of Finance.

You will have overall responsibility for the production of financial information from a network of overseas offices associated with pipeline coatings. Candidates must be of sufficient calibre to take on a strategic role at a higher level in due course. This position will suit an independent and adaptable individual, able to function well in an entrepreneurial environment where initiative is rewarded.

Candidates, aged 30+, will be degree qualified with at least four years PQE and ideally have oil industry experience, along with experience of managing the accounting function in a multi currency environment. A comprehensive understanding of up to date financial information systems will be required. Strong presentational skills and the ability to discuss key issues with other disciplines are also very important. The above salary is an indication only and is negotiable depending on experience.

Please write with full career details, including salary, quoting reference B0606 to Tony Saw, KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE.

KPMG Selection & Search

GROUP TREASURER

c.£70,000 + BENEFITS — WEST LONDON

Our client is a major quoted PLC with a leading position in its markets, which it is strengthening by means of a focused acquisition strategy.

A Group Treasurer is now sought to lead the group treasury function reporting to the Group Finance Director. Key responsibilities will be to review treasury policies, strategies and operational procedures to ensure they meet the evolving requirements of the business, to develop and manage relations with bankers and financial institutions to achieve efficient funding and cost-effective service, and to establish effective financial structures for business operations. The Group Treasurer leads a small professional treasury team, and will work closely with other executives throughout the group.

To meet these challenges you will be a graduate, with a professional qualification in treasury management, accounting or banking, and you will have extensive experience of corporate treasury management in a major international organisation. You will have detailed knowledge of treasury policies and operational procedures, wide experience of negotiating and managing borrowing arrangements, and be fully conversant with the corporate finance requirements of an expanding business.

The position requires leadership skills, and the ability to work closely with head office and subsidiary executives to provide effective treasury services to meet objectives and strategies.

This key appointment will command an excellent salary, supplemented by a full benefits package, including eligibility for performance related bonus scheme.

Please write, in confidence, with full career and salary details to Douglas Austin, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote ref: ALC59526.

LONDON · BELFAST · BIRMINGHAM · BRISTOL · MSL INTERNATIONAL · GLASGOW · LEEDS · MANCHESTER · NOTTINGHAM

Finance Director

Specialised Engineered Products

North West — £40,000 + Car + Bonus

Our client is an autonomously operating subsidiary of a fully-listed, ambitious plc. The company is profitable, viewed as an integral core business within the group and is thus currently experiencing a major capital investment programme aimed at doubling turnover.

Reporting to the Managing Director, the Finance Director has full responsibility for the financial management and control of the company. Key tasks will include:

- adding value to the organisation through financial acumen and commercial awareness;
- ensuring that both systems and procedures can cope with the projected growth in turnover;
- providing an input to the strategic development of the business across all disciplines;
- leading and developing the existing finance team.

Candidates must be qualified accountants and are likely to be aged 30 to 40. The role requires a team player with a 'hands on' management style. A strong technical background and IT literacy, together with a pragmatic approach to problem solving are important requirements. Experience of working in an engineering environment would be useful. Excellent interpersonal skills, energy and the ability to manage change are prerequisites.

This is an exciting opportunity for an ambitious financial manager to progress their career within an expanding company that has the full backing of a dynamic business.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 180B on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION
1 WATERLOO STREET, BIRMINGHAM B2 5PG. TEL: 0121 633 4844
A GKR GROUP COMPANY

CHIEF ACCOUNTANT

Hays

THE BUSINESS SERVICES GROUP

South West London

Committed to its market-leading position as a major business-to-business organisation, Hays plc ranks in the UK top 125 companies. Highly acquisitive, the company enjoys continued expansion and therefore offers unrivalled opportunities to every member of its dedicated management team.

With a genuine commitment to customer/client service pervading each of its businesses, Hays is now able to offer a challenging finance role within the Head Office of one of its most profitable divisions.

The Role

Working directly for the Divisional Finance Director, you will have immediate responsibility for those areas of finance which interface with a blue chip customer base - notably sales ledger, credit control and payroll, totalling almost 40 staff. You will be given the opportunity to refine systems and procedures to reflect the importance of client service within the organisation and to develop the newly installed CODA system to this end. You will also have daily contact with the operational management team, advising on and providing information to key clients.

With this area firmly under control, you will then benefit from additional responsibility for management accounting and reporting, bought ledger and purchasing, giving you a position on the operational board and input into the strategic planning of the company.

The Appointee

To be successful, you will need to be a qualified accountant with experience of managing a large team in a fast-moving, sales-orientated environment. You will enjoy variety and be familiar with balancing the requirements of a finance department with those of your staff, your clients and the operations team. You will need the strength of personality to make your own decisions and the diplomacy to convince others to share your views. Overall you will relish the opportunity to work in an energetic and sometimes frenetic environment. Your commitment will be rewarded with early responsibility, tremendous support from all concerned and very genuine prospects in an enormously successful organisation.

To apply, please forward your cv and current salary details to Joanne Gorman at Hays Executive, 2-6 High Street, Kingston-upon-Thames, Surrey KT1 1EY. Tel: 0181 549 8460. Fax: 0181 547 1587.

Hays Executive

STRATEGIC SEARCH & SELECTION

PRESTIGIOUS YORKSHIRE PLC

Harrogate

★ Two outstanding career opportunities to join the corporate headquarters of this highly successful £700 million turnover plc ★ Significant turnover and profit growth achieved in recent years ★ Mission statement to continue to grow both organically and through strategic acquisition ★ National focus with multi-branded product range ★ Particular commitment to high quality service.

GROUP AUDIT MANAGER

to £40,000, PRP, 2 Cars, Benefits

THE ROLE

★ Newly created position to establish operational audit function ★ Report to Group Finance Director and challenge the business processes ★ Develop common procedures to ensure adherence to Group reporting requirements ★ Liaise with external advisors and develop 'partnering approach' ★ Open brief, with board approval, to interrogate and make recommendations ★ Report writing, 'value for money' approach.

THE QUALIFICATIONS

★ ACA, currently Manager or Senior Manager in the 'big six', or presently Operational Auditor in major group or Plc ★ Commercially orientated and relentless in striving for achievement ★ Diplomatic but assertive ★ Technically capable and determined to progress. Ref: FT9610806.

CONTROLLER

c£40,000, PRP, 2 Cars, Benefits

THE ROLE

★ Responsible for preparing financial and management accounting information for the Group ★ Report to Group Finance Director ★ Chief technical advisor to the board ★ Liaise with line management on operational issues ★ Annual budgets and forecasts ★ Control of treasury function ★ Monthly consolidation and improvement of financial controls ★ Acquisition and disposal review and appraisal ★ Liaison with external advisors ★ Use and development of information systems.

THE QUALIFICATIONS

★ ACA, preferably Senior Manager in 'big six' or group role in industry ★ Strong character, charismatic with high level of technical competence ★ Capable of working under pressure ★ Ambitious, resilient with sense of humour. Ref: FT9610906.

These appointments are being handled exclusively by Hitchenor Maher, please reply in writing quoting appropriate reference to 27 York Place, Leeds, LS1 2EY. Tel: (0113) 247 0170. Fax: (0113) 247 0191. Email: adh@hitch-maher.co.uk

HITCHENOR MAHER

LEEDS AND MANCHESTER

PROJECT/MANAGEMENT ACCOUNTANT

North West — to £30,000 + Car + Benefits

Prestigious UK food group seeks a high calibre recently qualified ACMA/ACA preferably with a blue-chip FMCG/manufacturing or distribution background for a non-routine project/management accounting role.

Reporting to the Financial Director, covering various nationally based business units, you will support operational teams, involved in financial project work encompassing commercial and production issues. This will involve restructuring and development work, improving and standardising financial systems and reporting methods, budgetary control and financial performance analysis.

The right candidate will have strong interpersonal and analytical skills, financial and management accounting experience and ideally knowledge of standard/activity based costing. You must be highly mobile, preferably based in the North West or North Midlands.

This is a superb opportunity into this renowned Group, with early prospects for career progression.

To discuss this opportunity in total confidence, please contact Anita Allison on 0161-831 7127. Alternatively, send your CV to her at the address below.

FMS, Amethyst House
28 Spring Gardens, Manchester M2 1EA
Tel: 0161-831 7127 Fax: 0161-832 9123
EMail: 100621.2024@compuserve.com
We have offices in London, Birmingham and Manchester

fms

INVESTOR IN PEOPLE

THE PSD GROUP

RECENTLY QUALIFIED ACA

C £30,000 + CAR

BASED C. LONDON

WHITBREAD

PARKWELL

Whitbread has an outstanding record of financial performance within the food, drinks and leisure sector. They have some of the UK's leading brands and last year acquired the UK Marriott hotels and the David Lloyd leisure centres. The group is committed to continued expansion and is currently investing heavily in the sector.

A position is now available within the small high profile head office financial accounting team. The team is responsible for the provision of routine and ad hoc financial information in support of the Finance Director.

The role will involve extensive liaison with other Head Office functions and operating units. Tasks will include assisting with the planning and production of the consolidated group statutory accounts, detailed analytical reviews, interpretation of accounting standards and the introduction and maintenance of group accounting procedures. You will also be required to advise and assist with projects of an ad hoc nature including acquisitions and disposals.

Candidates should be qualified chartered accountants with one to two years post qualification experience and a good range of financial accounting skills.

Whitbread has a strong commitment to staff development and training and they provide an excellent range of staff benefits.

This is a rare opportunity to fully develop your long term career potential within a leading PLC.

To apply please send a full CV with a covering letter and current salary to:
Andrew Fisher, Parkwell Management Consultants Ltd, 3 Catherine Place, Westminster SW1E 6DX
Tel: 0171 233 5207 Fax: 0171 233 5205 Email: 100752.3606@COMPUSERVE.COM

SINGLE BUOY MOORINGS INC.

Excellent Package — Monaco

Cost Accounting Manager

Single Buoy Moorings Inc, a world-leading company in the engineering, construction and operation of FPSOs/FSOs, owns and operates an increasing fleet of FP units. We currently have a key requirement for a Cost Accounting Manager(reporting to the Financial Controller) to direct and control all our projects/CAPEX.

THE ROLE

- Responsible for contract management, including financial and tax clauses.
- Responsible for the monthly order portfolio statements.
- Responsible for co-ordinating all project handover meetings, to ensure compliance with Internal Operating Procedures.
- Responsible for the creation of foreign bases, including monthly contractual and management information, to be incorporated in the consolidated project forecasts.

THE QUALIFICATIONS

- You should be a Graduate with a degree in either Administration/Accounting.
- Ten years experience are required in a similar business and ability to demonstrate strong supervisory and training skills.
- Excellent communication and interpersonal skills are essential as is a flexible attitude to organisational change.
- Mobility is vital, as the position will involve considerable travel between various sites.

Please reply, enclosing full details (including salary level and photo) to:
The Head of Personnel, SBM, PO Box 199, 24 Avenue de Fontvieille, MC 98007 MONACO Cedex.

SBM OFFSHORE SYSTEMS

UK FINANCIAL CONTROLLER

Manufacturing

Manchester

c.£40,000 plus car

Our client is a sixth generation family business and an international market leader in the manufacture of ropes and industrial webbings, with factories in the UK and North America.

Integral to the company's plans for significant growth is the appointment of a Financial Controller, who will report directly to the General Managers of the UK Operating Divisions and through them to the Group Board. Responsibilities will include:

- Preparation of management reports and accounts
- Initiating further systems development in line with IT strategy
- Participation in the strategic planning process
- Cash management and control

Candidates, probably aged 35-40, will be qualified Accountants, with several years' experience in manufacturing. Strong technical accounting and IT skills are a prerequisite, as is an ability to adopt a broad commercial view. Key personal qualities will include the highest standards of integrity, excellent communication skills and the ability to adopt a "hands-on" approach.

Interested candidates should write with full CV, quoting current rewards package to Mark Carriban ACA, Hoggett Bowers, Amethyst House, Spring Gardens, Manchester M2 1EA, Tel: 0161 832 0445, Fax: 0161 832 0089 quoting ref: MMC/3652/FT.

INVESTOR IN PEOPLE

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION

THE PSD GROUP

Coopers & Lybrand | Executive Resourcing

Corporate Finance

Global Mergers and Acquisitions

MIDLANDS — **EXCELLENT PACKAGE**

Coopers & Lybrand is one of the leading advisers on mergers and acquisitions in the UK and business is currently running at a high level. A substantial proportion of the work involves advising international corporate organisations who make use of the strong overseas network of the Coopers & Lybrand International organisation.

The Midlands mergers and acquisitions team is based in Birmingham and is now looking to build on its success and high profile by expanding the team at all levels from Deal Facilitators to Account Directors. Although Coopers & Lybrand itself is always a source of new recruits, there is a need to keep a balanced team and therefore new team members may have a background in investment banking, law, accountancy, marketing, manufacturing or financial services. What is more important is the requirement to develop a strong contact base, have first class communication, individual motivation and analytical skills and the ability to be able to command respect in the boardrooms of leading listed and similar commercial organisations.

We will require you to have an excellent degree and successful experience in corporate finance or in your chosen sector. Additionally, new graduates will be considered. A high-profile, structured development plan is in place to ensure that your progress is as rapid as possible. Opportunities for rapid progression within our Corporate Finance function are excellent.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Executive Resourcing Limited, Temple Court, 35 Bull Street, Birmingham B4 6JT quoting reference JE314 on both envelope and letter.

Finance Director

Cambridge — **c£60k + equity + benefits**

This is an opportunity for a qualified accountant, familiar with the City, to make a difference in a growing company and to drive the company through to a planned flotation in 1997. VC backed, the organisation licenses major technological advances to multinational manufacturers in the office equipment market.

The successful candidate, currently employed in corporate finance or in a fast moving industry role, will be qualified with a minimum of 5 years' post qualification experience, have excellent presentation skills and have previous experience of both capital raising and international negotiations. He or she must, of course, be able to take full responsibility for the finance, administration and company secretarial duties and may have experience of licence negotiation/legal contracts. The ability to operate simultaneously in a formal board level role with City exposure as well as in an informal, hands-on growing company team is essential.

The right candidate will receive a package which will include participation in a share option scheme as well as full benefits (car, bonus, PHI and pension) designed to reward a forward thinking, proactive financier for his or her contribution to the growth and development of the company.

Please send CV and full salary details to Chris Robinson. Closing date for applications 17th June 1996.

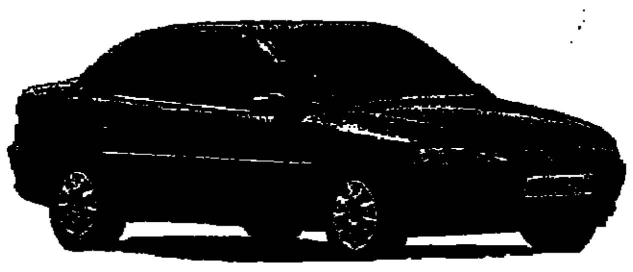
Phoenix Search & Selection, Milton Hall, Milton, Cambridge, CB4 6AB
Tel: 01223-441661 Fax: 01223-440851

Phoenix

IT Senior Appointments

GM

General Motors International Operations



Manager Data Infrastructure

Competitive Salary + Lease Car + Benefits

General Motors International Operations is a major business sector of General Motors, the world's largest company and includes operations in over 40 countries.

We are seeking a high calibre individual to work within the Information Management function reporting directly to the Director of Technology Services and Deployment.

Based in either Antwerp, Frankfurt or Luton, the successful candidates will spend approximately 40% of their time at other international facilities.

The Key Job Responsibilities will be:-

- Develop international data management strategy.
- Implement a consistent data environment to meet business requirements.
- Liaise with GMIO business units to ensure a consistent approach to data management.
- Liaise with application development and quality assurance functions on data infrastructure related issues.
- Ensure conformance to data standards.

The Key Job Qualifications are:-

- A minimum of 5 years Data Management experience, preferably in a multi national organisation.
- Experience in Manufacturing Industry (Automotive preferred).
- Detailed knowledge of data analysis, database design techniques and database technologies.
- The successful candidate should also have strong communication skills and management experience.
- Good team player with experience in a multi-cultural organisation.
- Ability to work at all levels within the organisation.

Reply in strict confidence quoting reference MDI with CV and relevant experience by 30th June 1996 to:-

John Culley, Manager Finance Administration, Vauxhall Motors Limited, Griffin House, Osbourne Road, Luton, LU1 3YT, United Kingdom.

STRATEGY CONSULTANTS – IT

THE BOSTON CONSULTING GROUP

LONDON **EXCELLENT PACKAGE + PROSPECTS**

- The Boston Consulting Group (BCG) is the leading international consulting firm focused on developing and implementing strategic change. Operating out of 36 offices around the globe, BCG serves many of the worlds' leading companies.
- BCG has a continuing and growing need to integrate strategic level IT consultancy into many of its client services across all business sectors including financial services.
- BCG wishes to expand its consulting team by recruiting a number of exceptional IT professionals from either line or consulting disciplines, with proven ability to link business and IT strategy.
- Young and energetic, probably in your mid 20's to early 30's, with an excellent academic background possibly supplemented by an MBA. Outstanding track record within a complex and commercially focused IT environment necessary.
- Hands-on experience of managing large-scale IT development/service delivery highly advantageous. Professional consultative style required, able to present at Board level.
- The successful candidates will receive significant training to broaden their skills as strategic consultants, on BCG's main consulting career path to Partnership.

Please apply in writing quoting reference 1146
with full career and salary details to:
Alan Mumby
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call:
Will Thomas +44 171 873 3779
Clare Bellwood +44 171 873 3351

IT City Appointments

BANKING/FINANCIAL

DERIVATIVES — to £60k + BONUS
Top class developers with solid C++/SYBASE experience are required to join this leading European Banking Group. Working closely with derivatives traders, you will be charged with the life cycle development of critical systems based on Client-Server and OO technology. Previous front-office experience coupled with a strong academic background is essential. Superb prospects.

VISUAL BASIC/EXCEL — to £40k + BANK BENS
Leading International Investment Bank seeks developers with at least 12 months' EXCEL or VISUAL BASIC and SQL programming experience. Working closely with the research analysts, you should have a numerical degree which will enable you to analyse statistics and build models using complex macro programming techniques. These are highly challenging positions for ambitious candidates seeking their first career move.

FIXED INCOME — to £70k + BANK BENS
PROJECT MANAGER sought by premier Global Investment Bank. This is an extremely influential role which will encompass team management, planning, staff development and systems implementation. A strong Investment banking background including Bonds and/or Fixed Income experience is mandatory, as is a good understanding of Client-Server technology. A career move for a high flyer with a 1st or 2:1 degree.

C++/OO — to £55k + BANK BENS
Two developers sought by the Fixed Income Business group of this triple 'A' rated Investment Bank. Charged with the design, architect and build of pricing and risk management systems, you will combine your C++/OO expertise with investment banking knowledge and join an innovative elite team on a global system which talks to New York, Tokyo and London.

EQUITIES — to £50k + BANK BENS
Leading securities house requires BUSINESS ANALYSTS with in-depth understanding of Investment Banking. Primarily focused on the equities business, you will provide business and systems analysis expertise to a range of European and Asian clients. You should also have some exposure to Fixed Income products, Futures & Options. Excellent communication skills and some technical understanding (preferably PC skills) are essential.

SYBASE/SQL SERVER — to £40k + BANK BENS
Leading global derivatives trader seeks young, bright developers to work on the convertibles trading floor. The roles will involve extensive user liaison, and analysis, design and build of a Client-Server front-end connected to a SYBASE database. Responsibilities will include associated application migration issues, problem reduction resolution and the selection of appropriate front-end tools. Solid PC skills and SYBASE or similar product knowledge absolutely essential.

ARC are preferred suppliers to the top financial institutions. This is a selection of current opportunities in the City. We have many more. Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Isabel Blackley or Paul Wilkins on 0171-287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC International, Recruitment & Consultancy Services, 15-16 New Burlington St, London W1X 1FF. E-mail arc@itjobs.co.uk Internet http://www.itjobs.co.uk

Tel: 0171-287 2525 ARC Fax: 0171-287 9688

OPTIMA CONNECTIONS — banking

'C', UNIX-Equity Derivatives
City To £45,000 + Bonus + BBs
Working as part of the Equity Derivatives research team, you will be involved in all aspects of quantitative research utilising the technical skills acquired from a systems development background. Candidates will be ideally educated to Phd level in a mathematically biased discipline and possess indepth 'C'/UNIX experience. Specific product knowledge is particularly beneficial.

C/C++, NT-Debt Derivatives
City To £55,000 Bonus + BBs
One of the top research groups within the City has an opening for a highly numerate developer to work on the development of Analytics and Risk Management Systems. Besides excellent skills in C or C++ on Windows (NT) you will need to demonstrate exceptional problem solving ability coupled with both creativity and enthusiasm.

C++, UNIX-Exotic Options
City To £60,000 + Bonus + BBs
An exceptional C++ developer is sought to work on the development of a new Analytics system for a leading Exotic Options group. They are only interested in the best C++ developers who can also display a high level of business aptitude. A mathematical background and experience of derivative products would be most beneficial.

Systems Developers
City £25-70,000 + Bonus + BBs
One of the City's most technically innovative investment banks, has outstanding opportunities for systems developers. You will be working with the business in a global development environment based on UNIX and NT, optimising your knowledge of C/C++ and UNIX/NT (to systems admin level). A first class degree is prerequisite, and Comms experience would be useful.

Fixed Income-C++, OLE
City £50,000 + Bonus + BBs
The Fixed Income group of this leading proprietary trading house currently require a solid OO specialist with a thorough understanding of BONDS and IR DERIVATIVES trading. You will have a track record of developing similar trading systems using VC++ under NT, OLE/OCX or CORBA, and CLASS LIBRARIES.

OO-Price Modelling
City To £50,000 + Bonus + BBs
The Risk Arbitrage group of this leading Securities House requires an exceptional candidate with a solid understanding of financial analytic models and their integration with all instruments. You will combine sound C++ and OOA/D expertise, with experience of BOND YIELD, OAS and YIELD CURVE models, SWAPS/OPTIONS PRICING and IR DERIVATIVES.

For more information on these and other opportunities currently available please contact
Optima Connections Limited No.4 Bath Street, London EC1V 9DX
Tel: 0171 608 0990 (24hr answering service) Fax: 0171 608 1205
E-Mail: optima.connections@dial.pipex.com

IT/Telecoms Media
M&A Specialists

Global House London

Associates & Analysts

This is a unique opportunity for exceptional M&A specialists to join the dominant global M&A advisor dedicated solely to the Information Technology industry worldwide.

Our client specialises in providing advice to companies spanning all sectors of the industry including computer hardware, software and services, telecommunications, electronic entertainment, content and the multi-media markets.

Successful candidates will be based in the London office of this international firm, serving its European client-base that ranges from international corporations to emerging entrepreneurial companies.

Opportunities exist at the following levels:

Associates, ideally aged 26-30, will have at least two years experience in M&A/Corporate Finance from a leading investment bank (ideally US bank trained), strategy consultancy or venture capital organisation focusing on IT. An MBA from a leading school and a second European language are also highly desirable.

Analysts, ideally aged 23-26, will have graduated from a leading European or North American university and have at least one years' work experience within M&A/Corporate Finance, strategy consultancy, IT venture capital or the IT industry itself. A second European language is highly desirable.

To be considered, candidates must maintain a strong interest in the IT industry and be committed to providing a quality of service that ensures our client remains the leading player in its market place.

Please contact Zoë Ide or Jeremy Cooper on 0171-583 0073 (day) or 01737-243 239 (evenings & weekends) or write to us at 16-18 New Bridge Street, London EC4V 6AU. Fax: 0171-353 3908

BADENOCH & CLARK
recruitment specialists

Banking Sector
SENIOR RISK SPECIALISTS

Based in London with international remit

Established for more than thirty years we are one of Europe's leading providers of management and business information consultancy and services. We have forged a reputation for excellence in all our activities - particularly in the increasingly critical area of financial sector risk monitoring and management. Already a market leader in the UK and Europe accompanied by an increasing profile overseas, our Finance Division are determined to provide existing and future customers with an expanding range of risk consultancy and services in the wholesale and investment banking sectors. We are therefore committed to attracting the services of outstanding financial sector risk specialists to develop our consultancy business and work closely with our market-leading software products:

MANAGING CONSULTANT
£60-70,000 + BENEFITS

The role is...
- to contribute strongly to the development of business strategy for the risk practice
- to design, develop and manage a broad range of engagement programmes
- to personally undertake and manage client engagements at the highest level
- to guide and support clients in their preparation for risk and regulatory compliance including capital adequacy (CAD)

You will...
- have extensive (5+ years') related banking experience, with in-depth exposure to treasury and capital markets instruments including derivatives
- be able to demonstrate experience of formulating and driving risk strategies
- possess exceptional presentation and communications skills
- offer proven multiple assignment management capabilities
- combine a strong theoretical grasp of risk systems with a pragmatic approach to their implementation
- have gained a good degree or relevant professional qualification
- have demonstrable management consultancy ability and business development within existing clients

Ref: RGFT13

SENIOR CONSULTANT
£50-60,000 + BENEFITS

The role is...
- to work with users to define specific risk management principles and procedures
- to provide in-depth consultancy on the principles and practice of risk systems implementation
- to offer focused and effective risk systems consultancy services
- to provide general and specific guidance on the selection of risk software
- to work closely with the management team to help define products and consultancy services strategy

You will...
- have considerable (3 - 5 years') related banking experience, with in-depth exposure to treasury and capital markets instruments including derivatives
- offer a background of successful risk systems implementation
- demonstrate a thorough understanding of why and how different financial instruments are traded
- be comfortable with liaison at all levels of management and across a wide spectrum of disciplines (risk, finance, operations and IT)
- show proven success in multiple consultancy assignments
- have gained a good degree or relevant professional qualification

Ref: RGFT14

For further information please contact our advising consultant Roger George on 0171 247 7444. Alternatively, send your CV, quoting the relevant reference number to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. email: rgeorge@mcgregor-boyall.co.uk

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